24U336S (Pages: 3) Name: ....

Reg.No: ....

THIRD SEMESTER B.B.A. DEGREE EXAMINATION, NOVEMBER 2025
(CBCSS - UG)
CC19UBBA3B05 - FINANCIAL MANAGEMENT
(BBA - Core Course)
(2019 to 2023 Admissions - Supplementary/Improvement)

Time : 2.5 Hours   Maximum : 80 Marks

Credit : 4

Part A (Short answer questions)

Answer *all* questions. Each question carries 2 marks.

1. Distinguish between capital structure and financial structure.

2. What is financial leverage?

3. From the following data calculate the operating leverage and advise which firm is more risky.

Particulars	A	B
Sales	25,00,000	30,00,000
Variable cost	25% of sales	25% of sales
Fixed cost	8,00,000	2,50,000

4. What is explicit cost?

5. What is irredeemable debt?

6. A company raises preference share capital of Rs. 1, 00,000 by the issue of 10% irredeemable preference shares of Rs. 10 each. Calculate the cost of preference capital when they are issued at:

   (a) 10% premium   (b) 10% discount

7. Define Profitability Index.

8. Explain the nature of working capital.

9. What are the importance of Working capital management?

10. How to calculate the duration of operating cycle?

11. Define Zero working capital concept.

12. State the objectives of cash management.

13. What is cash dividend?

14. What is regular stock dividend policy?

15. What are the assumptions of Gordon's dividend model?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. What is financial management? State the characteristics of financial management.

17. Distinguish between profit maximisation and wealth maximisation.

18. What is optimum capital strucutre? What are the requisites of optimum capital structure?

19. Explain CAPM approach for computing cost of equity. State its merits and demerits.

20. What are the role and importance of investment decisions?

21. X Ltd is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models, M and N of the new machine. Prepare a statement of profitability showing the pay- back period from the following information:

	Machine M	Machine N
Estimated life of machine	4 years	5 years
Cost of machine	Rs. 90,000	Rs. 1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

22. Define EOQ.

23. The following information is available for Awaas Corporation:Eps Rs. 4, Rate of return on investments 18%, Rate of return required by shareholder 15%. What will be the price per share as per Walter's model if the pay out ratio is 40% and 50%.

(Ceiling: 35 Marks)

Part C (Essay questions)

Answer any *two* questions. Each question carries 10 marks.

24. From the following information, Calculate NPV and Profitability index of the two projects and suggest which of the projects should be accepted assuming a discount rate of 10%.

	Project X	Project Y
Initial investment	20,000	30,000
Estimated life	5 Years	5 Years
Scrap value	1,000	2,000

The profits before depreciation and after taxes are as follows:

Years	1	2	3	4	5
Project X	Rs.5000	10000	10000	3000	2000
Project Y	Rs.20000	10000	5000	3000	2000

25. The board of directors of Kerala Ltd. Requests you to prepare a statement showing the working capital requirements forecast for a level of activity of 156000 units of production. The following information is available for your calculation:

	Rs. Per unit
Raw materials	90
Direct labour	40
Overheads	75
	205
Profit	60
Selling price per unit	265

Raw materials are in stock on an average of one month. Materials are in process, on an average of 2 weeks. Finished goods are in stock, on an average of one month. Credit allowed by suppliers- 1 month, Time lag in payment from debtors- 2 months, Lag in payment of wages- 1 ½ weeks, Lag in payment of overheads- 1 month. 20% of the output is sold against cash. Cash in hand and at bank is expected to be Rs.60000. It is to be assumed that production is carried on evenly throughout the year. Wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

26. What is receivables management? Discuss the scope of receivables management.

27. Critically examine MM theory of dividend.

(2 × 10 = 20 Marks)

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