

16U454

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Name:

Reg. No.

FOURTH SEMESTER B.B.A. DEGREE EXAMINATION, APRIL 2019

(Regular/Supplementary/Improvement)

(CUCBCSS - UG)

CC15U BB4 B06 - FINANCIAL MANAGEMENT

(Core Course)

(2015 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

Part A

Answer *all* questions. Each question carries 1 mark.

I. Fill in the blanks:

1. Capital structure which maximizes the value of the firm is called capital structure.
2. is also known as non-diversifiable risk.
3. When current liabilities exceed current asset, there is working capital.
4. Trading on equity is also known as when it is positive.
5. is the process of finding the present value of future cash flow.

II. State whether the following statements are true or false:

6. There is no relation between financing decision and dividend decision.
7. WACC is the overall cost of capital.
8. Gross working capital refers to the capital invested in the total assets of a firm.
9. Increased use of debt increases the financial risk of equity shareholders.
10. Retained earnings have no explicit cost.

(10 x 1= 10 Marks)

Part B

Answer any *eight* questions. Each question carries 2 marks.

11. What is operating leverage?
12. What is EOQ? How is it calculated?
13. Define working capital management.
14. Name the discounted techniques of capital budgeting.
15. Differentiate between systematic and unsystematic risk.
16. Define VED analysis.
17. What is the goal of wealth maximization.
18. The finance department of a company provides the following information:
Carrying cost per unit of inventory Rs 10, fixed costs per order are Rs 20 and the number of units required is 30,000 per year. Determine the economic ordering quantity and the number of orders in a year.

19. What do you understand by capital budgeting?
 20. What is scrip dividend?

(8 x 2 = 16 Marks)

Part C

Answer any *six* questions. Each question carries 4 marks.

21. What is financial leverage? What are its characteristics?
 22. A project of Rs 20,00,000 yielded annually a profit of Rs 3,00,000 after depreciation @ 12% and is subject to income tax @ 50%. Calculate payback period.
 23. Define dividend policy. What are the factors determining dividend policy?
 24. What do you mean by capital structure? What are the major determinants of capital structure?
 25. A firm has sales of Rs 20,00,000, variable cost of Rs 14,00,000, fixed cost of Rs 4,00,000 and debenture of Rs 10,00,000 in its capital structure obtained @ 10 percent. What are its financial, operating and combined leverage.
 26. What are the functions of a finance manager?
 27. Twenty five year 12% debenture of a firm are sold at a rate of Rs 80. The face value of each debenture is Rs 100 and the rate of tax is 50%. Compute the cost of debt capital.
 28. Explain briefly the various sources of long term finance.

(6 x 4 = 24 Marks)

Part D

Answer any *two* questions. Each question carries 15 marks.

29. Critically examine the various methods of evaluation of capital budgeting proposals. Discuss their advantages and disadvantages.
 30. Karuna Ltd manufactures a product and the following particulars are collected for the year ended 31st March 2016:

Monthly demand	3000 units
Cost of placing an order	Rs 150
Annual carrying cost	Rs 15 per unit
Normal usage	50 units per week
Minimum usage	25 units per week
Maximum usage	75 units per week
Re-order period	4 – 6 weeks

Calculate:

- (a) Re – order quantity (b) Re –order level (c) Minimum Level
 (d) Maximum level (e) Average level

31. Define financial management. Discuss the nature and scope of financial management.

(2 x 15 = 30 Marks)
