

20U335

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Name:

Reg. No:

THIRD SEMESTER B.B.A. DEGREE EXAMINATION, NOVEMBER 2021

(CBCSS - UG)

(Regular/Supplementary/Improvement)

CC19U BBA3 B05 - FINANCIAL MANAGEMENT

(BBA - Core Course)

(2019 Admission onwards)

Time: 2.5 Hours

Maximum: 80 Marks

Credit: 4

Part A (Short answer questions)

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

1. What is time value of money?
2. What is capital structure?
3. What is indifference point?
4. A company has sales of Rs. 5,00,000; variable costs of Rs. 3,00,000; fixed cost of Rs. 1,00,000 and long term loans of Rs. 4,00,000 at 10% rate of interest. Calculate the composite leverage.
5. What is explicit cost?
6. Optimistic ltd has an EPS of Rs. 90 per share. Its dividend payout ratio is 40%. Its earnings and dividends are expected to grow at 5% per annum. Find out the cost of equity if its market price is Rs. 360 per share.
7. What is weighted average cost of capital?
8. What is IRR method?
9. What do you meant by Reserve working capital?
10. Define operating cycle.
11. What is composite leverage?
12. Write the scope of cash management.
13. List the objectives of Inventory management.
14. How to calculate price of equity share using Walter's model of dividend?
15. What is dividend payout ratio?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

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

16. Discuss the role of a finance manager in a modern business enterprise.
17. What is financial leverage? State its importance and limitations.

(1)

Turn Over

18. Explain how cost of debt is determined.
19. X Ltd issued 1000 preference shares of Rs. 100 each. Percentage of dividend is 10%. Find the cost of preference shares in the following situations:
- (a) Issued at 5% premium
 - (b) Issued at 10% discount and floatation cost of 5%
 - (c) Issued at par and brokerage paid Rs. 2000
20. What are the role and importance of capital budgeting decisions?
21. For each of the following projects, compute a) Pay back period and b) Post pay back profitability: Project A: Initial outlay Rs. 1,00,000, Annual cash inflows after tax but before depreciation Rs. 20,000 and Estimated life 8 years. Project B: Initial outlay Rs. 1,00,000, Annual cash inflow after tax but before depreciation: First 3 years Rs. 30,000 and Next 5 years Rs. 10,000 and estimated life 8 years.
22. What do you mean by capital structure? What are the major determents of structure capital?
23. Write a note on irrelevance concept of dividend.

(Ceiling: 35 Marks)

Part C (Essay questions)

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

24. "The objective of financial management is wealth maximisation and not profit maximisation."
- Comment.
25. XYZ Ltd. Sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year ended 31st march 2020:

Sales (3 months credit)	4000000
Raw materials	1200000
Wages (15 days in arrears)	960000
Manufacturing expenses (1 month in arrears)	1200000
Administration expenses (1 month in arrears)	480000
Sales promotion expenses (payable half yearly in advance)	200000

The company enjoys one month's credit from suppliers of raw materials and maintains 2 months stock of raw materials and one and half months finished goods. Cash balance is maintained at Rs. 100000 as a precautionary balance. Assuming a 10% margin, find out the working capital requirements of XYZ Ltd. Cost of sales for computation of debtors and stock of finished goods may be taken at sales minus gross profit as per rate of gross profit given.

26. What is dividend policy? Explain the factors affecting dividend policy.
27. A firm sells 80,000 units of a product. The selling price per unit is Rs. 8 and variable cost per unit is Rs. 2. Fixed cost for the year amounts to Rs. 3,30,000 Calculate OL and DOL if it sells (a) 96,000 units (b) 64,000 units

(2 × 10 = 20 Marks)
