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Name.....

Reg. No.....

THIRD SEMESTER (CBCSS—UG) DEGREE EXAMINATION, NOVEMBER 2022

B.B.A.

BBA 3B 05—FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Two Hours and a Half

Maximum : 80 Marks

Part A*Answer all questions.*

1. What is weighted average cost of capital ?
2. What are the costs associated with receivables ?
3. What does stock dividend mean ?
4. What is time value of money ?
5. What is capital gearing ?
6. What do you mean by IRR ?
7. Distinguish between gross working capital and net working capital.
8. Define Financial Management.
9. What is operating cycle ?
10. What is capital rationing ?
11. What do you mean by stock split ?
12. What is rights issue ?
13. Briefly explain FIFO method.
14. What is re-ordering level ?
15. What is EPS ?

(15 × 2 = 30 Maximum ceiling 25 Marks)

Turn over

Part B*Answer all questions.*

16. What do you mean by capital structure ? What are the factors which determine optimum capital structure of a firm ?
17. Explain the functional areas of financial management.
18. Enumerate the assumptions of MM hypothesis of the irrelevance theory of dividend.
19. Determine the payback period of a project which requires an initial outlay of Rs. 1,00,000 and generates cash inflow of Rs. 20,000, Rs. 30,000, Rs. 40,000, Rs. 50,000 and Rs. 30,000 in the first five financial years.
20. From the following information, calculate operating and financial leverages :

Sales	...	10,50,000
Variable cost	...	7,67,000
Fixed cost	...	75,000
EBIT	...	2,08,000
Interest	...	1,10,000
Taxes (30%)	...	29,400
Net income	...	68,600

21. A company provides the following information :
 - (i) The carrying costs per unit of inventory are Rs. 10.
 - (ii) The fixed costs per order are Rs. 20.
 - (iii) The number of units required is 30,000 per year.
 - (iv) The variable costs per unit ordered are Rs. 2.
 - (v) The purchase price per unit is Rs. 30.

Determine the Economic Order Quantity (EOQ).

22. From the following information, calculate average collection period :

		Rs.
Total sales	...	1,00,000
Cash sales	...	20,000
Sales return	...	7,000
Debtors at the end of the year...		11,000
Bills Receivable	...	4,000
Creditors	...	15,000

23. A public limited company offers to its existing shareholders the right to buy one share at the rate of Rs.12 per share for every four shares of Rs.10 each held in the company. The market value of the shares on the date of such offer is Rs. 24 per share. Calculate the value of rights.

(8 × 5 = 40 Maximum ceiling 35 Marks)

Part C

Answer any two questions.

24. Explain the various factors which influence the dividend decision of a firm.
25. Prepare income statements from the following information collected from the records of two companies A and B :

<i>Particulars</i>	A	B
Variable expenses as a percentage of sales ...	66.67	50
Interest expenses	200	1,000
Degree of operating leverage	5	6
Degree of financial leverage	3	2
Income tax rate	35	35

Turn over

26. A company has an investment opportunity costing Rs. 40,000 with the following net cash flow after taxes and before depreciation :

Year	P.V. of Re.1 at 10%	P.V. of Re.1 at 15%	Net cash flow
1	0.909	0.870	7,000
2	0.826	0.756	7,000
3	0.751	0.658	7,000
4	0.683	0.572	7,000
5	0.621	0.497	7,000
6	0.564	0.432	8,000
7	0.513	0.376	10,000
8	0.467	0.327	15,000
9	0.424	0.284	10,000
10	0.386	0.247	4,000

Using 10% as the cost of capital, determine the following :

- Payback period.
- Net Present Value at 10% discount factor.
- Profitability index at 10% discount factor.
- Internal rate of return with the help of 10% and 15% discount factor.

(2 × 10 = 20 marks)