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(Pages : 3)

Name.....

Reg. No.....

**THIRD SEMESTER (CBCSS—UG) DEGREE EXAMINATION  
NOVEMBER 2023**

B.B.A.

BBA 3B 05—FINANCIAL MANAGEMENT

(2019—2022 Admissions)

Time : Two Hours and a Half

Maximum : 80 Marks

**Part A***Answer all questions.*

1. Define Financial Management
2. What is Financial Plan ?
3. What is Gross Working Capital ?
4. Briefly explain Point of Indifference.
5. Explain briefly Net Income Theory.
6. What is Degree of Financial Leverage ?
7. What is Cash Dividend ?
8. Explain Capital Budgeting.
9. What is EOQ ?
10. What is Capital Rationing ?
11. Define the Concept of Cost of Capital.
12. What is Leverage ?
13. What is Capital Expenditure Budget ?
14. Explain Pay Back Period.
15. What is Hard Core Working Capital ?

(15 × 2 = 30 Maximum ceiling 25 Marks)

**Turn over**

**Part B***Answer all questions.*

16. Explain the Significance of Cost of Capital.
17. Explain the Advantages of Maintaining Adequate Working Capital.
18. Write Note on Various Steps in Capital Budgeting ?
19. A company has the following capital structure :

Equity Share Capital	...	Rs. 1,00,000
10 % Preference Share Capital	...	Rs. 1,00,000
8 % Debentures	...	Rs. 1,25,000

The present EBIT is Rs. 50,000. Calculate the Financial Leverage assuming that company is in 50 % tax bracket.

20. The current market price of an equity share of a company is Rs. 90. The current dividend per share is Rs. 4.50. In the case the dividends are expected to grow at the rate of 7 %. Calculate the cost of equity capital.
21. Calculate the optimum production quantity per production run from the following information.
- |                                  |     |              |
|----------------------------------|-----|--------------|
| Estimated Annual Production      | ... | 90,000 units |
| Set up cost per production run   | ... | Rs. 50       |
| Carrying cost per unit per annum | ... | Re. 1.       |
22. A project requires an investment of Rs. 5,00,000 and has a scarp value of Rs. 20,000 after five years It is expected to yield profits after depreciation and taxes during the five years amounting to Rs. 40,000, Rs.6 0,000, Rs. 70,000 and Rs. 20,000. Calculate the average rate of return on investment.
23. Explain the Objectives of Financial Management.

(8 × 5 = 40 Maximum ceiling 35 Marks)

**Part C***Answer any two questions.*

24. What is capital Structure ? What factors would you take into consideration in determining capital structure decision ?

25. ABC 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 31<sup>st</sup> March 2008 :

Sales (3 months credit)	...	Rs. 40,00,000
Raw Materials	...	Rs. 12,00,000
Wages (15 days in arrears)	...	Rs. 9,60,000
Manufacturing Expenses (one month in arrears)	...	Rs. 12,00,000
Administrative Expenses (one month in arrears)	...	Rs. 4,80,000
Sales promotion expenses (payable half yearly)	...	Rs. 2,00,000

The company enjoys one month's credit from suppliers of raw materials and maintains 2 months stock of raw materials and one half months finished goods. Cash balance is maintained at Rs. 1,00,000 as a precautionary balance. Assuming a 10 % margin, find out the working capital requirements of ABC 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 margin.

26. From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10 % :

	Project X	Project Y
Initial Investment	Rs. 20,000	Rs. 30,000
Estimated Life	5 Years	5 Years
Scrap Value	Rs. 1,000	Rs. 2,000

The projects before depreciation and after taxes (cash flows) are as follows :

	Year 1	Year 2	Year 3	Year 4	Year 5
Project X	5,000	10,000	10,000	3,000	2,000
Project Y	20,000	10,000	5,000	3,000	2,000

27. What is cost of capital ? Explain the significance of cost of capital ?

(2 × 10 = 20 marks)