

Reg. No. :

Code No. : 10216 E Sub. Code : SMBA 62

B.B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2022.

Sixth Semester

Business Administration — Core

FINANCIAL MANAGEMENT

(For those who joined in July 2017 onwards).

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Financial decisions involve with _____
- (a) investment, financing and dividend decisions
 - (b) investment, financing and sales decisions
 - (c) financing, dividend and cash decisions
 - (d) none of the above

6. the rate of discount at which NPV of a project becomes zero is also known as
- (a) Average rate of return
 - (b) Internal rate of return
 - (c) Alternative rate of return
 - (d) None of the above

7. Agency cost consists of _____
- (a) binding
 - (b) monitoring
 - (c) opportunity and structure cost
 - (d) all of the above

8. Finance function comprises _____
- (a) safe custody of funds only
 - (b) expenditure of funds only
 - (c) procurement of finance only
 - (d) procurement and effective use of funds

9. What is the primary goal of financial management?
- (a) to minimize the risk
 - (b) to maximize the owners wealth
 - (c) to maximum the returns
 - (d) to raise profit

2. Factoring is a method of raising _____
- (a) long term finance
 - (b) medium term finance
 - (c) short term finance
 - (d) all the above

3. Debenture securities carry _____
- (a) voting rights and dividend
 - (b) interest and voting rights
 - (c) interest and dividend
 - (d) interest only

4. Use of fixed interest securities in the capital structure is called _____
- (a) operating leverage (b) financial leverage
 - (c) overall leverage (d) none of the above

5. What are the consideration in designing capital structure of a corporate?
- (a) Trading and equity
 - (b) Cost of capital
 - (c) Profitability
 - (d) All of the above

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10. GST is a consumption of goods and service tax based on _____
- (a) development (b) dividend
 - (c) destiny (d) duration
 - (e) destination

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain "Financial decision".

Or

- (b) Describe the nature of financial management.

12. (a) What is cost of capital? Classify the cost of capital.

Or

- (b) Explain importance of cost of capital.

13. (a) Discuss the objectives of cash management.

Or

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[P.T.O.]

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- (b) The balance sheet of national steel Ltd, as on 31.3.05 is as under :

Balance sheets			
Liabilities	Rs.	Assets	[P.T.D.]
Share capital	200	Land and building	60
Reserves and surplus	160	Plant and machinery	200
Terms loans	160	Inventories	200
Sundry creditors	120	Debtors	220
Provision for taxation	60	Cash and bank	20
	<u>700</u>		<u>700</u>

The company's turnover for 2004 was 1200 lakhs. It anticipates a sale turnover of Rs. 1800 lakhs in 2005-06. Estimate the working capital requirement for 2005-06.

14. (a) Write short notes on :

- Accounting rate of return
- Internal rate of return.

Or

- (b) A project cash Rs. 5,00,000/- and yield annually a profit of Rs. 80,000 after depreciation at 12% p.a. but before tax of 50% calculate pay back period.

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18. (a) Cost sheet of a company provides the following particulars. Raw materials 40%; labour 10%; overheads 30%.

The following details are also available

- raw materials remain in stocks for 6 weeks
- processing time - 4 weeks
- finished goods are in stock for 5 weeks
- period of credit allowed to debtor 10 weeks
- lag in payment of wages 2 weeks
- period of credit allowed by creditors 4 weeks
- selling price Rs. 50 per unit
- production in units 13,000/- p.a.

Prepare an estimate of working capital.

Or

- (b) Explain importance of working capital.

19. (a) Calculate discounted pay back period from the following information.

Cost of the project = Rs. 3,00,000

Life of the project = 5 years

Annual cash inflows = Rs. 1,00,000

Year	1	2	3	4	5
P.V factor @10%	0.909	0.826	0.751	0.683	0.621

Or

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15. (a) Explain about "stock dividend".

Or

- (b) A company's current year dividend is Rs. 3 per share. Pre capitalization rate is 12%. What would be the price of the company's share if
- Growth in dividend is 0
 - Growth in dividend's is 8% p.a. for ever.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) Discuss the functions of financial management.

Or

- (b) Compare profit maximization and wealth maximization.

17. (a) The book value per share of Maruti Ltd is Rs. 200/-. The return on equity is expected to be 10%. The company follows a dividend policy of 60% payout. What is the price of the share if the capitalization rate is 12%.

Or

- (b) Write short notes on :
- Book value
 - Market value.

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- (b) Alpha company Ltd, has an all equity capital structure consisting of 20,000/- equity shares of Rs. 100 each. The management plans to raise Rs. 30 lakhs to finance a programme of expansion. There alternative methods of financing are under consideration.

- Issue of 30,000 new shares of Rs. 100 each.
- Issue of 30,000 8% debentures of Rs. 100 each.
- Issue of 30,000 8% preference shares of 100 each.

The company's expected earnings before interest and taxes [EBIT] is Rs. 100 laks. determine the earnings per share in each alternative assuming's corporate tax rate of 50 per cent. Which alternative is best and why?

20. (a) Explain the factors affecting the dividend policy of a firm.

Or

- (b) Discuss the different dividend models in detail.

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