K16U 1482

Reg. No. : ....

Name : ....

V Semester B.B.A./B.B.A.T.T.M./B.B.A.R.T.M./Degree (CCSS/Supple./Imp.) Examination, November 2016 BBA/BBATTM/BBARTM – Core Course (2012-13 Admissions) FINANCIAL MANAGEMENT 5B11BBA(T)/5B12 BBA/5B11BBA(RTM)

Time : 3 Hours

Max. Weightage : 30

PART – A

This Part consist of **two** bunches of question carrying **equal** weightage of **one**. Each bunch consist of **four** objective type questions. Answer **all**.

Fill in the blanks.

1) If NPV is _____, it is a good investment.

2) _____ rate is also known as desired rate of return.

3) Capital gearing refers to the relation between equity capital and _____

4) Rupee one received today is having _____ value than rupee one received tomorrow.

State whether the following statements are **true** or **false**. (W = 1)

5) Working capital is also known as floating capital.

6) Higher the payback period, better the project.

7) Cost of debentures remains fixed.

8) Unfavourable financial leverage is also known as trading on equity. (W = 1)

PART – B

Answer **any eight** questions in **one** or **two** sentences **each** (1 Weightage **each**).

9) What is time value of money ?

10) Describe IRR.

11) What do you mean by WACC ?

P.T.O.

12) What is operating leverage ?

13) Give the formula for before tax cost of irredeemable debt.

14) What is EOQ ?

15) What is Maximum stock level ?

16) What is credit policy ?

17) What is preference capital ?

18) Explain implicit cost of capital. (W = 8×1=8)

PART – C

Answer **any six** questions. Answer **not** to exceed **one** page. **Each** carries a weightage of **two**.

19) Differentiate between wealth maximization and profit maximization.

20) What are the functions of a finance manager ?

21) What are the objects of inventory management ?

22) Explain the factors determining cost of capital.

23) Explain briefly the theories of capital structure.

24) A company issues 5,000, 12% debentures of Rs. 100 each at a discount of 5%. The commission payable to underwriters and brokers is Rs. 25,000. The debentures are redeemable after 5 years. Compute the after tax cost of debt assuming tax rate of 50%.

25) Prepare an estimate of working capital requirement from the following information of a trading concern.

   a) Project annual sales1,00,000 units

   b) Selling price – Rs. 8/unit

   c) Percentage of net profit on sales – 25%

   d) Average credit period allowed to customers – 8 weeks

   e) Average credit period allowed by suppliers – 4 weeks

   f) Average stock holding interms of sales requirement – 12 weeks

   g) Allow 10% for contingencies.

26) The shares of a company are currently being traded at a price of Rs. 20 and the expected growth rate in dividend payment is 5%. Find the cost of equity capital if the dividend paid last year is

   a) Rs. 2   b) Rs. 3   c) Rs.4   (W = 6×2=12)

PART – D

Answer **any two**. **Each** question carries **a** weightage of **four**.

27) What is capitalization ? Explain various sources of long term finance.

28) Capital and Countries Ltd. is considering two projects, only one of which can be accepted. The data in respect of these two are given below.

Outlay	10,000	50,000
Net inflow		
1	5,000	10,000
2	5,000	15,000
3	3,000	25,000
4	2,000	25,000
5	1,500	21,000

Calculate :

   i) Payback period

   ii) Excess present value at 10%

   iii) IRR.

Also suggest which project should be selected by the firm.

29) Aravind Strips Ltd. has the following income statement for the year ended 31st March 2010.

Sales	6,80,000
Operating expenses (including Rs. 1,20,000 depreciation)	2,40,000
EBIT	4,40,000
Less Interest	1,20,000
Earnings before taxes	3,20,000
Tax @ 50%	1,60,000
Net earnings	1,60,000

The company's capital structure consists of Rs. 16,00,000 equity shares of Rs. 10 each and 10% debentures of Rs. 12,00,000.

You are required to determine the degrees of operating financial and combined leverage at the current sales level, if all operating, expenses other than depreciation are variable. What will be the earnings/share if sales of the company increases by 20% and decreases by 20%. (W = 2×4=8)