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| QP CODE: D2BBA2402 | | (Pages: 2) | | Reg. No : | |
| | | | | Name : | |
| SECOND SEMESTER FYUGP EXAMINATION, APRIL 2025 | | | | | |
| MAJOR COURSE | | | | | |
| BBA2CJ102 : Financial Management | | | | | |
| (Credits: 4) | | | | | |
| Time: 2 Hours | | | Maximum Marks: 70 | | |
| Section A | | | | | |
| Answer the following questions. Each carries 3 marks (Ceiling: 24 marks) | | | | | |
| 1. | What are Convertible Securities? Provide two examples. | BL1 | CO2 | | |
| 2. | Explain how an increase in debt financing affects EPS with the help of an example | BL1 | CO1, CO2 | | |
| 3. | How does MIRR overcome the limitations of IRR? | BL1 | CO2, CO3 | | |
| 4. | State the assumptions of Walter's Model. | BL1 | CO1, CO3, CO5 | | |
| 5. | If the interest rate increases, what happens to the Present Value of a future sum? Explain. | BL4 | CO2, CO3 | | |
| 6. | Define Capital Structure and explain its significance in financial management. | BL1 | CO1, CO2 | | |
| 7. | Explain why retained earnings are not a free source of capital. | BL2 | CO1, CO2 | | |
| 8. | Explain why risk analysis is necessary in capital budgeting decisions. | BL2 | CO2, CO3 | | |
| 9. | What are the assumptions of the NOI Approach regarding risk and capital cost? | BL4 | CO1, CO2 | | |
| 10. | How does the compounding frequency (annually, semi-annually, quarterly) affect the final amount in Compound Interest? | BL4 | CO2, CO3 | | |
| Section B | | | | | |
| Answer the following questions. Each carries 6 marks (Ceiling: 36 Marks) | | | | | |
| 11. | A startup wants to secure funding but doesn't want to lose ownership. Should it go for Venture Capital or Debt Financing? Explain with reasons. | BL5 | CO2 | | |
| 12. | A firm wants to raise new capital and is evaluating whether to issue equity or debt. What factors should it consider in terms of cost of capital? | BL4 | CO1, CO2 | | |
| (PTO) | | | | | |

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| 13. | Discuss how the Capital Budgeting Process influences a company's long-term financial sustainability. | BL4 | CO2, CO3 |
| 14. | There are two firms 'A' and 'B' which are exactly identical except that A does not use any debt in its financing, while B has Rs. 2,50,000 , 6% Debentures in its financing. Both the firms have earnings before interest and tax of Rs. 75,000 and the equity capitalization rate is 10%. Assuming the corporation tax is 50%, calculate the value of the firm. | BL3 | CO1, CO2 |
| 15. | How does the time value of money affect NPV calculations, and why does it matter in investment decisions? | BL4 | CO2, CO3 |
| 16. | Explain different types of dividend policy a company can follow. | BL1 | CO2, CO5 |
| 17. | A company has issued redeemable preference shares with a face value of ₹1,000, a dividend rate of 9%, and a maturity period of 5 years. Calculate the cost of preference capital assuming the current market price is ₹950. | BL3 | CO1, CO2 |
| 18. | Compare the working capital requirements of a manufacturing company and a service-based company. | BL4 | CO1, CO2, CO3 |

Section C

Answer any one question. Each carries 10 marks (1 x 10 = 10 Marks)

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| 19. | A company is planning to restructure its capital by replacing part of its debt with new equity. Analyze how this will impact WACC and future investment decisions. Illustrate with hypothetical figures. | BL4 | CO1, CO2 |
| 20. | XYZ Company is considering investing in a project that requires an initial investment of ₹100,000 for some machinery. There will be net inflows of ₹20,000 for the first two years, ₹10,000 in years three and four, and ₹30,000 in year five. Finally, the machine has a salvage value of ₹25,000. Find out if the investment is good based on ARR method. | BL3 | CO2, CO3 |

CO : Course Outcome

BL : Bloom's Taxonomy Levels (1 – Remember, 2 – Understand, 3 – Apply, 4 – Analyse, 5 – Evaluate, 6 – Create)