

**THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2022****(Regular/Improvement/Supplementary)****BBA****GBBA3B05T: FINANCIAL MANAGEMENT****Time: 2 ½ Hours****Maximum Marks: 80****SECTION A: Answer the following questions. Each carries *two* marks.****(Ceiling 25 Marks)**

1. Explain the concept- Capital Gearing.
2. What is meant by financial leverage?
3. Point out the traditional classification of finance with example.
4. Calculate Pay- back period for a project which requires a cash outlay of Rs.50000 and which generates a cash inflow of Rs.20000, Rs.15000, Rs.10000 and Rs.8000.
5. Briefly explain the concept of double bin system.
6. What is meant by dividend payout ratio?
7. Explain the concept of Business finance.
8. A company offers equity shares of Rs10 each for public subscription at a premium of 5%. The company pays 2% of the issue price as underwriting commission. The rate of dividend expected by equity shareholders is 30%. Compute the cost of equity capital.
9. Mention any four drawbacks of profit maximization goal of financial management.
10. What is the relevance of cost of capital in corporate investment and financing decision?
11. Comment on optimum capital structure
12. How can the shareholders current wealth in the firm be calculated?
13. List out the advantages of stable dividend policy to the shareholders and the firm.
14. What is meant by ploughing back of capital?
15. What are the two measures used to determine whether an investment positively contributes to the shareholders wealth?

**SECTION B: Answer the following questions. Each carries *five* marks.****(Ceiling 35 Marks)**

16. Explain the factors determining working capital requirements.
17. Discuss the basic elements of financial decisions.
18. What is capital budgeting? Discuss its importance.

**(PTO)**

19. Prepare a statement of working capital requirement from the following information of a trading concern :

- |   |               |
|---|---------------|
| a. Projected annual sales                           | 100000 units  |
| b. Selling price                                    | Rs.8 per unit |
| c. % of net profit on sales                         | 25%           |
| d. Avg. credit period allowed to customers          | 8 weeks       |
| e. Avg. credit period allowed to suppliers          | 4 weeks       |
| f. Avg. stock holding in terms of sales requirement | 12 weeks      |
| g. Allow 10% for contingencies                      |               |

20. The following are the particulars relating to two alternative machines:

	Machine A	Machine B
Purchase price	50000	84000
Estimated years of life	8	10
Net earnings after tax but before depreciation (p a)	10000	12000

Calculate the profitability of the investment on the basis of payback profitability.

21. Capital structure of AB Ltd. under various financial plans are as follows:

	Plan I	Plan II	Plan III
Equity share capital	100000	50000	40000
8% Debentures	100000	150000	160000

EBIT Rs. 200000

Tax rate @50%

Calculate EPS if the various plans are implemented

22. Explain briefly the various techniques of inventory management.

23. X Ltd have been using a machine costing Rs.15000 for the past 5 years. The machine has 15 years of life and it has been depreciated at @10% p.a. The current salvage value would be Rs.2000 and the company has been paying 50% of its profits as taxes.

Now the management desires to replace it by new machine costing Rs.10000 with salvage value of Rs.2000. The new machine has a life of 10 years and will be depreciated at 10% p.a. The cost of capital is 10% and the expected saving is likely to be Rs.3000 p.a

Should the company go for a new machine?

**SECTION C: Answer any two questions. Each carries ten marks.**

24. What is meant by dividend policy? Explain the main determinants of dividend policy in a corporate enterprise.
25. Discuss the role of receivables in the total financial picture of an organization and how it can be controlled.
26. The following information is available from the balance sheet of XY Ltd Company.

Equity Share Capital(20000 shares of Rs10 each)	Rs. 200000
Reserves and Surplus	Rs. 130000
8% Debentures	Rs. 170000

The rate of tax of the company is 50%. Current level of equity dividend is 12%. Compute the weighted average cost of capital using the above figure.

27. From the following information of two projects X and Y, calculate IRR and suggest which project is preferable.

	Project X	Project Y
Cost	22000	20000
Cash inflows: Yr.1	12000	2000
Yr.2	4000	2000
Yr.3	2000	4000
Yr.4	10000	20000

**(2 × 10 = 20 Marks)**