

THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2023**(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. What are the long-term sources of finance?
2. What are Investment Decisions?
3. Highlight the features of equity shares.
4. What is stock dividend?
5. What is meant by security financing?
6. Give an account on transaction motive.
7. List out the steps involved in capital budgeting process.
8. Define profitability index.
9. What is payback period?
10. What is concentration banking?
11. Comment on different types of capital.
12. What is administrative cost?
13. Write a note on trading on equity.
14. What do you mean by receivables?
15. State relevance theory.

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

16. Critically evaluate various approaches to the financial management.
17. Write short note on functions of a financial manager
18. What is leverage? Mention different types of leverage.
19. Differentiate between capital structure and financial structure.
20. What is the importance of capital budgeting for a company?

(PTO)

21. XYZ Company is considering investing in a project that requires an initial investment of Rs.100,000 for some machinery. There will be net inflows of Rs. 20,000 for the first two years, Rs. 10,000 in years three and four, and Rs. 30,000 in year five. Finally, the machine has a salvage value of Rs. 25,000. Find ARR.
22. Find out Minimum Stock Level, Maximum Stock Level and Ordering Level from the following particulars:
- Minimum consumption 100 units per day
 - Maximum consumption 175 units per day
 - Normal consumption 125 units per day
 - Re-order quantity 1,500 units
 - Minimum period for receiving goods 7 days
 - Maximum period for receiving goods 15 days
 - Normal period for receiving goods 10 days
23. Write an account on the concept of value of the firm.

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

24. ABC Ltd. has the following capital structure:

- Equity (expected dividend 12%) Rs. 10,00,000
- 10% Preference Rs. 5,00,000
- 8% Loan Rs. 15,00,000

You are required to calculate the weighted average cost of capital, before and after tax.

Assuming 50% as the rate of tax.

25. A company has to make a choice between two projects namely A and B. The initial capital outlays of two projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 16%. The annual incomes are as under:

Year	Project A	Project B
1	-	60,000
2	30,000	84,000
3	1,32,000	96,000
4	84,000	1,02,000
5	84,000	90,000

You are required to calculate for each Project A and B

- i) Discounted Payback period
- ii) Profitability Index
- iii) NPV

26. From the following information calculate,

- (1) Re-order level (2) Maximum level (3) Minimum level (4) Average level

Normal usage: 100 units per week

Maximum usage: 150 units per week

Minimum usage: 50 units per week

Re-order quantity (EOQ) 500: units

Log in time: 5 to 7 weeks

27. Dividend policy affects the value of the firm under Gordon's Model. Explain.

(2 x 10 = 20 Marks)