

(PAGES: 3)

D3BBA2302

Reg. No.....

Name:

THIRD SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2024
(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 is working capital? Define it.
2. Comment on dividend.
3. What is finance? Define business finance.
4. Give an account on investment decision.
5. Comment on capital rationing.
6. What do you mean by Precautionary motive?
7. Write a note on trading on equity.
8. List out the merits of the deferred shares.
9. What is optimum capital structure?
10. State relevance theory.
11. Comment on post pay back profit.
12. What is Dividend decision?
13. Comment on operating leverage.
14. Define accounting rate of return.
15. What do you mean by the term cash management?

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

16. Y Ltd. issues Rs. 2,00,000, 9% debentures at a premium of 10%. The cost of floatation is 2%. The tax rate is 50%. Compute the after tax cost of debt.
17. Initial Investment is Rs. 10,000 in a project. The expected future cash inflows for four years are Rs. 2000, Rs. 4000, Rs. 3000, Rs. 2000. Calculate Pay Back period.
18. Distinguish between permanent and temporary working capital.

(PTO)

19. A company issues 1,00,000 10% preference shares of Rs.10 each. Calculate the cost of preference capital if it is redeemable after 10 years at par and at 5% premium.
20. What are the main functions of the modern Finance Manager? How do they differ from those of traditional Finance Manager?
21. A machine costing Rs. 110 lacs have a life of 10 years, at the end of which its scrap value is likely to be Rs. 10 lacs. The firm's cut off rate is 12%. The machine is expected to yield an annual profit after tax of Rs. 10 lacs, depreciation being reckoned on straight line basis. Ascertain the net present value of the project.
22. What is receivables management? How is it useful for business concerns?
23. Discuss the objectives of the firm. Which of these goals are superior and why?

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

24. ABC Ltd. has a capital structure (all Equity) of Rs. 5 Lakhs as shares of ₹10 face value. In order to raise an additional capital of ₹2,50,000 the firm has four alternative plans. The firm is able to earn an operating profit of ₹80,000 after the additional investment and tax rate is 50 %. Choose the preferable financial plan from the given alternatives.
 - a) Raise entire amount through equity.
 - b) 50% debt capital with 10% interest and 50% through equity.
 - c) Raise entire amount through 12% debentures.
 - d) 50% preference capital with 10% dividend and 50% through equity.
25. X Ltd. is having the following capital structure. Calculate financial leverage, operating leverage and combined leverage having two situations A and B and financial plans I and II respectively.

Capacity: 1,500 units

Production: 1,200 units

Selling Price: Rs. 25

Variable Cost: Rs. 18

Fixed Cost: Situation A Rs. 1,400

 Situation B Rs. 2,400

Capital structure:

Financial Plan:

	I	II
Equity	80,000	60,000
Debt	20,000	40,000

26. The machine cost Rs. 1,00,000 and has scrap value of Rs. 10,000 after 5 years. The net profits before depreciation and taxes for the five years' period are to be projected that Rs. 20,000, Rs. 24,000, Rs. 30,000, Rs. 26,000 and Rs. 22,000. Taxes are 50%. Calculate pay-back period and accounting rate of return.
27. Explain the meaning of investment decision and its importance in management of a firm.

(2 x 10 = 20 Marks)