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Name.....

Reg. No.....

**THIRD SEMESTER (CBCSS—UG) DEGREE EXAMINATION  
NOVEMBER 2021**

B.B.A.

BBA 3B 05—FINANCIAL MANAGEMENT

(2019—2020 Admissions)

Time : Two Hours and a Half

Maximum : 80 Marks

**Section A***Answer at least ten questions.**Each question carries 3 marks.**All questions can be attended.**Overall Ceiling 30.*

1. Define financial management.
2. What do you mean by trading on equity ?
3. What is profitability index ?
4. What do you mean by sweat equity ?
5. Explain under capitalisation.
6. What is dividend pay-out ratio ?
7. What is combined leverage ?
8. What do you understand by stable dividend policy ?
9. What is VED analysis ?
10. Explain Internal Rate of Return.
11. What do you understand by weighted average cost of capital ?
12. What do you mean by retained earnings ?
13. What is capital structure ?
14. Define working capital.
15. What is economic order quantity ?

(10 × 3 = 30 marks)

**Turn over**

**Section B**

*Answer at least five questions.*

*Each question carries 6 marks.*

*All questions can be attended.*

*Overall Ceiling 30.*

16. Briefly explain ploughing back of profits. State its importance.
17. What are the different types of dividend policies ?
18. What are the different sources of working capital ?
19. Arjun Ltd. provides you the following information :

(a) Cost of machinery	... Rs. 1,90,000
(b) Installation expenses	... Rs. 10,000
(c) Useful life of the machine	5 years
(d) Salvage value	... Nil
(e) Tax rate	... 30 %

Calculate the payback period if earnings after tax are Rs. 1,00,000 per annum.

20. The following information is available in respect of a product.

(a) Units sold	... 60,000
(b) Selling price per unit	... Rs. 12
(c) Fixed cost	... Rs. 60,000
(d) Variable cost per unit	... Rs. 6
(e) 10 % debt capital	... Rs. 1,20,000

Calculate all types of leverages.

21. A company issues 10,000, 10 % preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued (a) At par ; (b) At a premium of 10 % ; and (c) at a discount of 5 %.

22. The initial cash outlay of a project is Rs. 1,00,000 and it generates cash inflows of Rs. 40,000, Rs. 30,000, Rs. 50,000 and Rs. 20,000 in the first four years. Calculate profitability index :

Years	Discount factor at 10 %
1	0.909
2	0.826
3	0.751
4	0.683

23. Star Ltd. Provides the following information :

Cash sales during the year	...	1,50,000
Credit sales during the year	...	2,70,000
Returns inward	...	20,000
Trade debtors in the beginning	...	55,000
Trade debtors at the end	...	45,000
Provision for bad and doubtful debts	...	5,000

Calculate debtors turnover ratio and average collection period.

(5 × 6 = 30 marks)

### Section C

*Answer any two questions.*

*Each question carries 10 marks.*

24. Define financial management. Discuss the scope and importance of financial management.
25. From the following information, you are required to prepare a cash budget to make an assessment of the working capital requirement of ABC Ltd for the period April to June 2018 :

Month	Sales	Purchases	Wages
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

**Turn over**

Additional information

- (a) 50 per cent of sales are realised in the month following the sales and remaining 50 per cent in the second month following.
  - (b) Creditors are paid in the month following the month of purchase.
  - (c) Wages are paid in the next month.
  - (d) Cash at bank on 01.04.2018 Rs. 25,000
26. Mahesh Ltd. has equity share capital of Rs. 10,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 6,00,000 for expansion. The company plans the following financing schemes.
- (a) All equity shares
  - (b) Rs. 2,00,000 in equity shares and Rs. 4,00,000 in debentures at 10 % p.a.
  - (c) All debentures at 10 % p.a.
  - (d) Rs. 2,00,000 in equity shares and Rs. 4,00,000 in preference shares at 8 % dividend. The company has estimated EBIT at Rs. 3,00,000. The corporate tax is 50 %. Calculate EPS in each case and comment as to which capital structure is suitable.

(2 × 10 = 20 marks)