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Name.....

Reg. No.....

**THIRD SEMESTER (CBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2024**

B.B.A.

BBA 3B 05—FINANCIAL MANAGEMENT

(2019—2023 Admissions)

Time : Two Hours and a Half

Maximum : 80 Marks

Part A*(Answer **all** questions).*

1. Define Business Finance
2. What is Investment Decision ?
3. What is Capitalisation ?
4. Briefly explain Specific Cost.
5. What is Capital Structure ?
6. What is Point of Indifference ?
7. Define Optimum Capital Structure.
8. Explain Capital Budgeting.
9. What is Mutually Exclusive Projects ?
10. What is Capital Rationing ?
11. Explain the different motives for holding cash.
12. What is Lead Time ?
13. What is Cash Dividend ?

Turn over

14. Explain Wealth Maximisation.

15. What is IRR ?

(15 × 2 = 30 Maximum Ceiling 25 marks)

Part B

(Answer **all** questions).

16. What are the Functions of Finance Manager ?

17. Explain the various Principles of Capital Structure.

18. Write Note on Various Steps in Capital Budgeting ?

19. A company has sales of Rs. 5,00,000, variable cost of Rs. 3,00,000, Fixed cost of Rs.1,00,000 and long term loan of Rs. 4,00,000 at 10 % rate of interest. Calculate the Composite Leverage ?

20. B Ltd. Issues Rs. 1,00,000 9 % debentures at a premium of 10 %. The cost of floatation are 2 %. The tax rate applicable is 60 %. Compute cost of debt capital.

21. There are two projects X and Y. Each project requires an investment of Rs. 20,000. You are required to rank these projects according to the pay back period from the following information.

Net profit before depreciation and after tax

Years		Project X	Project Y
1	...	1,000	2,000
2	...	2,000	4,000
3	...	4,000	6,000
4	...	5,000	8,000
5	...	8,000	—

22. The cost of goods sold of ESP Limited is Rs. 5,00,000. The opening inventory is Rs. 40,000 and the closing inventory cost is Rs. 60,000. Find out inventory turnover ratio.

23. The annual demand for a product is 6,400 units. The unit cost is Rs. 6 and inventory carrying cost per unit per annum is 25 % of the average inventory cost. If the cost of procurement is Rs. 75, determine :

- (a) EOQ.
- (b) Number of orders per annum ; and
- (c) Time between two consecutive orders.

(8 × 5 = 40 Maximum Ceiling 35 marks)

Part C

(Answer any **two** questions).

24. What is working capital ? What factors would you take into consideration in estimating the working capital needs of a concern ?
25. A firm can make investment in either of the following projects. The firm anticipates its cost of capital to be 10 % and net (after tax) cash flows of the projects for five years are as follows.

Year		0	1	2	3	4	5
Project A	...	500	85	200	240	22	70
Project B	...	500	480	100	70	30	20
PVF (10 %)	...	1	0.91	0.83	0.75	0.68	0.62
PVF (20 %)	...	1	0.83	0.69	0.58	0.48	0.41

Required :

- (i) Calculate NPV and IRR.
 - (ii) State with reasons which project would you recommend.
 - (iii) Explain the inconsistency in ranking of two projects.
26. Explain the various Factors which Influence the Dividend Decision of a Firm.
27. What is financial management ? What major decisions are required to be taken in finance ?

(2 × 10 = 20 marks)