



Reg. No. :

Name :

**Third Semester B.B.A. Degree Examination, November 2014
(Career Related First Degree Programme under CBCSS)**

2 (b)

**Core Course – BM 1343 : FINANCIAL MANAGEMENT
(2013 Admission)**

Time : 3 Hours

Max. Marks : 80

SECTION – A

I. Answer all questions in **one** or **two** sentences. Each question carries 1 mark.

(1×10=10 Marks)

- 1) Define Financial Management.
- 2) What is meant by cost of capital ?
- 3) Distinguish between Gross working Capital and Networking capital.
- 4) What is meant by lock-box system ?
- 5) What do you mean by optimum capital structure ?
- 6) Define 'Dividends'.
- 7) What are bonus shares ?
- 8) Define capital budgeting.
- 9) What do you mean by Net Present Value ?
- 10) Define Economic Order Quantity (EOQ).

SECTION – B

II. Answer **any 8** questions. Each question carries 2 marks.

(8×2=16 Marks)

- 11) Distinguish between bonus issue and stock split.
- 12) List out any four constituents of current assets and current liabilities each.



- 13) What are the motives of holding cash ?
- 14) Discuss briefly the procedure for ABC analysis of inventory control.
- 15) Explain the Dividend valuation model of cost of equity capital determination.
- 16) What is pay back period ? State its advantages.
- 17) Distinguish between IRR and ARR.
- 18) Explain why capital expenditure decisions are significant ?
- 19) State the basic propositions of the Modigliani-Miller (MM) approach to capital structure theory.
- 20) What do you mean by operating cycle ?
- 21) Define capital structure. State any two factors determining capital structure of a firm.
- 22) Briefly explain EBIT- EPS analysis.

SECTION – C

III. Answer **any 6** questions. **Each** question carries 4 marks. **(6×4=24 Marks)**

- 23) Briefly explain the three key activities of financial manager.
- 24) Explain briefly the factors determining cash needs of a firm.
- 25) Explain the objectives of receivables management.
- 26) ABC Ltd. requires 90,000 units of a certain item annually. The cost per unit is Rs. 3. The cost per purchase order is Rs. 300. The inventory carrying cost is Rs. 6 per unit per year. What is the EOQ ?
- 27) Discuss briefly the features of capital budgeting decisions.
- 28) What is payback period ? State its merits and limitations.
- 29) What is weighted average cost of capital ? Explain the rationale behind the use of weighted average cost of capital.
- 30) Explain briefly the Net Income Approach theory of capital structure.
- 31) What is stable dividend policy ? Why should a firm follow such policy ?



SECTION - D

IV. Answer any 2 questions. Each question carries 15 marks. (2×15=30 Marks)

- 32) Explain in detail the significance and objectives of Financial Management.
- 33) What do you mean by working capital management ? Explain the factors determining working capital requirements of a firm.
- 34) X Ltd. is considering the expansion of the installed capacity of its plant at a cost of Rs. 35,00,000. The firm has a minimum required rate of return of 12%. The following are the expected cash in flows over the next 6 years after which the plant will be scrapped away for nil value.

Years	1	2	3	4	5	6
Cash in flows(Rs.)	10,00,000	10,00,000	10,00,000	10,00,000	5,00,000	5,00,000

Consider the acceptability of the project on the basis of NPV and IRR techniques

- 35) The following is the capital structure of XYZ Ltd.

Source	Amount(Rs.)	Specific cost of capital
Equity capital (2,00,000 share of Rs. 10 each)	20,00,000	11%
Preference capital (50,000 shares of Rs. 10)	5,00,000	8%
Retained earnings	10,00,000	11%
7.5% debentures of Rs. 1,000 each	15,00,000	4.5%

Presently, the debentures are being traded at 94% preference shares at par and equity shares at Rs. 13 per share. Find the weighted average cost of capital based on book value weights and market value weights.
