



Reg. No. : .....

Name : .....

**Third Semester B.B.A. Degree Examination, December 2015  
(Career Related First Degree Programme Under CBCSS)**

**Group 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.  
**(10×1=10 Marks)**

- 1) Define Internal Rate of Return.
- 2) What is ABC analysis ?
- 3) What do you mean by Average Collection Period ?
- 4) What is Safety Stock ?
- 5) What do you understand by stock split ?
- 6) Define Working Capital.
- 7) Define Capital budgeting.
- 8) Define Capital Structure.
- 9) What is EBIT ?
- 10) What do you mean by Weighted cost of Capital ?

**SECTION – B**

II. Answer **any 8** questions. Each question carries 2 marks. **(8×2=16 Marks)**

- 11) How is cost of Debt Calculated ?
- 12) What do you mean by Operating Leverage ?
- 13) What is EBIT-EPS analysis ?
- 14) What is meant by PBP ?
- 15) What is Optimal Capital Structure ?



- 16) Explain 'Bonus Shares'.
- 17) What is meant by Concentration Banking ?
- 18) What is the Just-in-Time system ?
- 19) What do you understand by Capital Rationing ?
- 20) Explain 'Dividend-pay out ratio'.
- 21) Calculate EOQ from the following : Monthly demand 4000 units; ordering cost per order Rs. 120. Inventory carrying cost per unit per year Rs. 2.
- 22) The dividend per share of a firm is expected to be Re. 1 per share next year and is expected to grow at 6 percent per year perpetually. What is the cost of equity capital of the market price per share is Rs. 25.

### SECTION – C

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

- 23) Explain briefly the factors determining working capital requirements of a firm.
- 24) Discuss briefly the different phases of capital budgeting.
- 25) Explain briefly the factors affecting the weighted average cost of capital.
- 26) Discuss the principal motives for holding cash.
- 27) Explain the objectives of receivables management.
- 28) Explain the 'Residual theory of Dividends'.
- 29) Distinguish between NPV and IRR techniques of capital budgeting.
- 30) A company is considering a new project for which investment data are as follows : Capital outlay Rs. 2,00,000. Depreciation 20% p.a. on straight line method.

Forecasted annual income before charging depreciation, but after all other charges.

<b>Year</b>	:	1	2	3	4	5
<b>Annual income (Rs.)</b>	:	1,00,000	1,00,000	80,000	80,000	40,000

Calculate the ARR.



31) From the following information, determine the weighted average cost of capital of a Alpha Ltd.

	Rs.
Equity capital	4,00,000
12% debentures	4,00,000
18% term loan	12,00,000
	<b>20,00,000</b>

Assume that Alpha Ltd. had been paying dividends at a consistent rate of 20% per annum on equity shares and equity shares are being traded at par. (Ignore tax).

SECTION – D

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

- 32) "Financial Management is an integral part of Management". Discuss significance goals and scope of financial management in the light of the above statement.
- 33) Describe in detail the different sources of finance for a large corporate concern.
- 34) Discuss in detail any four important evaluation techniques for capital budgeting. State also their advantages and disadvantages.
- 35) The expected cash flow of a project are as follows :

Year	Cash flow
0	-1,00,000
1	20,000
2	30,000
3	40,000
4	50,000
5	30,000

The cost of capital is 12 percent. Calculate the following.

- a) NPV
  - b) IRR
  - c) Benefit-cost ratio
-