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Reg. No. :

Name :

Second Semester B.B.A. Degree Examination, July 2015
(Career Related FDP Under CBCSS)
Group 2(b)
Core Course
BM 1243 – FINANCIAL MANAGEMENT
(2014 Admission)

Time : 3 Hours

Max. Marks : 80

SECTION – A

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

- 1) What is working capital ?
- 2) What is Financial Decision ?
- 3) What is Factoring ?
- 4) What is Venture Capital ?
- 5) What is Capital Budgeting ?
- 6) What is Pay-Back Period ?
- 7) What is Capitalization ?
- 8) What is Deposit Float ?
- 9) What is Operating Leverage ?
- 10) What is Stock Dividend ?

(1×10=10 Marks)

SECTION – B

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

- 11) What are the objectives of Financial Management ?
- 12) What are the different types of Preferences Shares ?
- 13) What are the principles of Working Capital Management Policy ?

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- 14) What is Letter of Credit ? Explain its types.
- 15) What is Capital Rationing ?
- 16) What is Composite Leverage ?
- 17) Give the advantages of Bonus Issues.
- 18) What is Optimal Capital Structure ?
- 19) What is Capital Budgeting Process ?
- 20) What are the motives for holding cash ?
- 21) Explain Stable Dividend Policy.
- 22) What is Lease Financing ?

(2×8=16 Marks)

SECTION – C

III. Answer any 6 questions. Each question carries 4 marks.

- 23) Explain the factors determining Working Capital Management.
- 24) What are the methods of cash management ?
- 25) What are the needs and importance of Capital Budgeting ?
- 26) What is Capital Gearing and its significances ?
- 27) What is meant by EBIT-EPS Analysis ?
- 28) Write a note on Profit Maximization vs. Wealth Maximization.
- 29) A Company issues Rs. 10,00,000 10% redeemable debenture sat a discount of 5%. The cost of floatation amount to Rs. 30,000. The debentures are redeemable after 5 years. Calculate before-tax and after-tax cost of debt assuming a tax rate of 50%.
- 30) A Project cost Rs. 5,00,000 and yields annually a profit of Rs. 80,000 after depreciation @ 12% p.a. but before tax of 50%. Calculate the Pay-back Period.
- 31) What are the limitations of Financial Leverage ?

(4×6=24 Marks)



SECTION – D

IV. Answer **any 2** questions. **Each** question carries **15** marks.

32) Prepare an estimate of working capital requirement from the following information of a trading company :

- | | |
|--|----------------|
| A) Project annual sales | 1,00,000 units |
| B) Selling price | Rs. 8 per unit |
| C) % of net profit on sales | 25% |
| D) Average credit period allowed to customers | 8 weeks |
| E) Average credit period allowed by Suppliers | 4 weeks |
| F) Average stock holding in terms of sales requirement | 12 weeks |
| G) Allow 10% for contingencies | |

33) The cost of capital and the rate of return on investment of WM Ltd. Is 10% and 15% respectively. The company has one million equity shares of Rs. 10 each outstanding and its earnings per share are Rs. 5. Calculate the value of the firm in the following situation using Walter's model :

- 1) 100% retention
- 2) 50% retention and
- 3) No retention.

34) What is Cost of Capital ? Explain the significance of Cost of Capital and the problems in determination of Cost of Capital.

35) What is Capital Budgeting ? Explain methods of Capital Budgeting.

(15×2=30 Marks)
