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B – 3829

Reg. No. :

Name :

**Third Semester B.B.A. Degree Examination, December 2016
(Career Related First Degree Programme Under CBCSS)
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) State the three broad areas of financial decision making.
- 2) What is meant by 'operating cycle' ?
- 3) What is EOQ ? State the formula of EOQ.
- 4) What are commercial papers ?
- 5) Distinguish between interim dividend and final dividend.
- 6) What are bonus shares ?
- 7) What is over capitalisation ?
- 8) What do you mean by weighted marginal cost of capital ?
- 9) Define financial leverage.
- 10) Define NPV.

SECTION – B

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

- 11) What is structured financing ?
- 12) What is the meaning of capital gearing ?
- 13) What do you mean by stock split ?

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- 14) What is meant by discounted pay-back period ?
- 15) Distinguish between shareholder and manager.
- 16) Define working capital and name any two sources of working capital.
- 17) What do you mean by receivables management ?
- 18) What are the principal motives for holding cash ?
- 19) Explain how cost of capital is computed.
- 20) Explain EBIT-EPS analysis.
- 21) What are the different types of debentures ?
- 22) Explain the discounted cashflow techniques of capital budgeting.

SECTION - C

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

- 23) Explain the causes and consequences of over capitalisation.
- 24) Distinguish between NPV and IRR. Also state the merits of each method.
- 25) "Wealth maximisation is the primary objective of financial management". Justify.
- 26) What are the features of a good capital structure ?
- 27) Describe how inventories are managed in a manufacturing concern ?
- 28) Explain Walters theory of dividend.
- 29) A project costs Rs. 36,000 and is expected to generate cash inflows of Rs. 11,200, annually for 5 years. Calculate the IRR of the project.
- 30) ABC Ltd. has issued 11 percent preference shares of the face value of Rs. 100 each to be redeemed after 10 years. Flotation cost is expected to be 5 percent. Determine the cost of preference shares (kp).
- 31) Assume a company has (i) earnings after taxes (available for equity shareholders) of Rs. 90 lakh (ii) target debt-equity ratio of 1 : 2 and (iii) new profitable investment in the size range of (a) Rs. 150 lakh (b) Rs. 120 lakh. Determine the amount of dividends paid and dividend payout ratio at varying levels of investments as per residual theory of dividends.



SECTION - D

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

- 32) Discuss the significance and important steps in capital budgeting.
- 33) Explain in detail the MM theory of capital structure. Also state the limitations of the theory.
- 34) State and explain the sources of funds for financing capital budgeting proposals in large enterprises.
- 35) A company has on its books the following amounts and specific costs of each type of capital.

Type of capital	Book value (Rs.)	Market value (Rs.)	Specific costs (%)
Debt	4,00,000	3,80,000	5
Preference	1,00,000	1,10,000	8
Equity	6,00,000		15
Retained earnings	2,00,000	12,00,000	13
	13,00,000	16,90,000	

Determine the weighted average cost of capital using (a) book value as the weights (b) market value as weights.
