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D – 3256

Reg. No. :

Name :

**Third Semester B.B.A. Degree Examination, December 2017
(Career Related First Degree Programme Under CBCSS)**

Core Course

**BM 1343 : FINANCIAL MANAGEMENT
(2013 Admission)**

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions. **Each** question carries **1** mark.

1. What do you mean by Finance ?
2. What do you mean by Cost of Equity ?
3. Expand WACC.
4. What is Capitalisation ?
5. What is Net Working Capital ?
6. What do you mean by dividend ?
7. What is the formula for calculating EPS ?
8. What is wealth maximization ?
9. What is Scrip Dividend ?
10. What is Capital Budgeting ?

SECTION – B

Answer **any eight** questions. **Each** question carries **2** marks.

11. What is Financial Management ?
12. Differentiate between redeemable debenture and irredeemable debenture.
13. What do you mean by Net Present Value ?
14. Explain briefly the concept of Time Value of Money.
15. What do you mean by a debenture ?

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16. What is optimal capital structure ?
17. What is explicit cost ?
18. What is Retention Ratio ?
19. What do you mean by Bonus Share ?
20. Explain Marginal Cost of Capital.
21. What do you mean by Financial Structure of a firm ?
22. Explain the Net Income Approach of Capital Structure.

SECTION – C

Answer any six questions. Each question carries 4 marks.

23. Explain the Financial Decisions.
24. Calculate the payback period and post pay back profitability for the following project.
Initial outlay = Rs. 1,00,000
Annual Cash inflow (after tax but before depreciation) :
First 3 years = Rs. 30,000
Next 5 years = Rs. 10,000
Estimated life 8 years
25. Explain the different financial institutions providing long term finance.
26. Explain Walter's Approach in Dividend Policy.
27. Differentiate between Bonus Issue and Stock Split.
28. The shares of a company are selling at Rs. 40 per share and it had paid a dividend of Rs. 4 per share last year. The investors market expects a growth rate of 5% per year.
 - a) Compute the company's equity cost of capital.
 - b) If the anticipated growth rate is 7% per annum, calculate the Market Price per share.



- 29. Explain the factors determining the capital structure of a firm.
- 30. What are the motives for holding cash ?
- 31. What are the functions of a financial manager ?

SECTION – D

Answer any two questions. Each question carries 15 marks.

- 32. A firm has the following capital structure and after tax costs for the different sources of funds used.

Sources of Funds	Amount	Proportion (%)	After Tax Cost (%)
Debt	4,50,000	30	7
Preference Capital	3,75,000	25	10
Equity Capital	6,75,000	45	15
	15,00,000	100	

- a) Calculate the weighted average cost of capital using book value weights.
- b) The firm wishes to raise further Rs. 6,00,000 for the expansion of the project as below.

Debt	–	3,00,000
Preference Capital	–	1,50,000
Equity Capital	–	1,50,000

Assuming that specific costs do not change, compute the weighted marginal cost of capital.

- 33. Explain the theories of Capital Structure.
 - 34. What do you mean by an Inventory ? Explain the techniques for managing inventory.
 - 35. What do you mean by working capital ? Explain the factors determining working capital requirements.
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