



Reg. No. :

Name :

Second Semester B.B.A. Degree Examination, July 2017
Career Related First Degree Programme under CBCSS
Group 2(b)
Core Course : BM 1243 : FINANCIAL MANAGEMENT
(2014 Admission Onwards)

Time : 3 Hours

Max. Marks : 80

SECTION – A

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

- 1) What is the primary objective of financial management ?
- 2) What is meant by retained earnings ?
- 3) What is NPV ?
- 4) What is Operating Leverage ?
- 5) What is cost of equity ?
- 6) What is Investment Decision ?
- 7) What is Capitalization ?
- 8) What is Benefit cost ratio ?
- 9) Define Average rate of return.
- 10) What is capital gearing ?

(10×1=10 Marks)

SECTION – B

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

- 11) Define current assets and give four examples.
- 12) State the decisions involved in financial management.



- 13) Define Capital budgeting.
- 14) Explain the importance of cost of capital.
- 15) Explain Optimal Capital Structure.
- 16) Explain Capital Rationing.
- 17) Distinguish between Shares and debentures.
- 18) Difference between Capital structure and financial structure.
- 19) Illustrate working capital cycle.
- 20) What is receivables management ?
- 21) Explain VED analysis.
- 22) Write a short note on scrip dividend.

(8×2=16 Marks)

SECTION – C

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

- 23) Explain Institutional finance.
- 24) Explain inventory management.
- 25) Explain the steps involved in calculating WACC.
- 26) Difference between Gross Working Capital and Net Working Capital.
- 27) Explain the factors affecting dividend policy.
- 28) Explain the benefits of factoring.
- 29) Do the NPV and PI always lead to the same investment decision ? Discuss.
- 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 payback period.
- 31) Following information is given about materials
Annual usage – 2,00,000 units
Cost of placing and receiving one order : Rs. 80
Annual carrying cost : 10% of inventory value
Find out economic order quantity.

(6×4=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 concern :

- a) Project annual sales 1,00,000 units
- b) Selling price Rs. 8 per unit
- c) Percentage of net profit on sales 25%
- d) Average credit allowed to customers 8 weeks
- e) Average credit allowed by suppliers 4 weeks
- f) Average stock holding in terms of sales requirement 12 weeks
- g) Allow 10% for contingencies

33) A Company is considering investment in a project that cost Rs. 2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The company's tax rate is 40%. The estimated earnings before depreciation and before tax from the project are as follows :

Year	Earnings before depreciation and tax	P.V.factor
		@ 10%
1	70,000	0.909
2	80,000	0.826
3	1,20,000	0.751
4	90,000	0.683
5	60,000	0.621

Calculate NPV.

34) Explain the factors determining capital structure.

35) What is meant by Financial Management ? Explain its Significance.

(2x15=30 Marks)