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E – 4592

Bliper

Reg. No. :

Name :

**Second Semester B.B.A. Degree Examination, August 2018
(Career Related FDP Under CBCSS)**

Group 2(b)

Core Course

**BM 1243 : FINANCIAL MANAGEMENT
(2014 – 2016 Admissions)**

Time : 3 Hours

Max. Marks : 80

SECTION – A

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

- 1) Define lease financing.
- 2) What is investment decision ?
- 3) What is deep discount bond ?
- 4) Explain wealth maximization.
- 5) What is N.P.V. ?
- 6) Define capital.
- 7) What is gross working capital ?
- 8) What is bank float ?
- 9) Explain combined leverage.
- 10) What is bonus issue.

(1×10=10 Marks)

SECTION – B

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

- 11) Explain factors influencing financial decisions.
- 12) Explain the concepts of working capital.
- 13) What is specific and weighted cost of capital ?

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- 14) What is retained earnings ? Is it significant in cost of capital ?
- 15) Explain capital gearing.
- 16) Explain the importance of capital budgeting.
- 17) Describe the techniques of inventory management.
- 18) What are the different types of dividend policy ?
- 19) What is hedging approach ?
- 20) What is meant by financial risk ?
- 21) What are the main approaches to finance ?
- 22) Explain the impact of financial leverage.

(2×8=16 Marks)

SECTION – C

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

- 23) Discuss the factors affecting dividend policy.
- 24) Explain the traditional approach of capital structure.
- 25) What is financial Break-even point ?
- 26) What are the classifications of cost ?
- 27) Which are the different kinds of capital budgeting decisions ?
- 28) What are the sources of finance ?
- 29) A company issues 1000 equity shares of Rs. 100 each at a premium of 10%. the company has been paying 20% dividend to equity share holders for the past 5 years and expects to maintain the same in future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs. 160 ?
- 30) A project requires an investment of Rs. 5,00,000 and has a scrap value of Rs. 20,000 after five years. It is expected to yield profits after depreciation and taxes during the five years amounting to Rs. 40,000, Rs. 60,000, Rs. 70,000 and Rs. 20,000. Calculate the average rate of return on the investment.
- 31) A firm can purchase 2000 units of a particular item per year at an unit cost of Rs. 20. The ordering cost is Rs. 50 per order and the inventory carrying cost is 25%. Determine the optimal order quantity and the minimum total cost including purchase cost: If a 3% discount is offered for purchase in lots of 1000 or more should the firm accept the offer ?

(4×6=24 Marks)



SECTION - D

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

32) Following is the cost information of firm :

Fixed cost = Rs. 50,000; Variable cost = 70% of sales

Sales = Rs. 2,00,000 in previous year and Rs. 2,50,000 in current year.

Find out percentage change in sales and operating profits when :

- i) Fixed costs are not there (No leverage)
- ii) Fixed costs are there (Leveraged situation).

33) The Board of Directors of Ruby Ltd. requested you to prepare a statement showing the working capital requirements for a level of activity of 156000 units of production. The following information is available for your calculation.

	(Rs. per units)
Raw Materials	90
Direct Labour	40
Overhead	75
	205
Profit	60
Selling price per unit	265

- 1) Raw Materials are in stock on an average of one month.
- 2) Materials are in process on an average 2 weeks.
- 3) Finished goods are in stock on average one month.
- 4) Credit allowed by creditors one month.
- 5) Time lag in payment from debtors-2 months.
- 6) Lag in payment of wages - 11/2 weeks.
- 7) Lag in payment of overheads-one month.

20% of the out-put is sold against cash. Cash in hand and at Bank is expected to be Rs. 60,000. It is to be assumed that production is carried on evenly throughout the year. Wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

34) What is Dividend Policy ? Explain the theories of Dividend Policy.

35) What is investment Decisions ? Discuss the method of evaluating investment decisions.

(15x2=30 Marks)