

Reg. No. : .....

Name : .....

**Second Semester B.B.A. Degree Examination, May 2019**

**Career Related First Degree Programme Under CBCSS**

**BM 1243 : FINANCIAL MANAGEMENT**

**Core Course**

**(2014 – 2016 Admns)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

- I. Answer **all** questions in one or two sentences. **Each** questions carries **1** mark.
1. What is net working capital?
  2. Why working capital is also known as revolving capital?
  3. What is sunk cost?
  4. What is Internal Rate of Return?
  5. Differentiate capitalization and capital structure.
  6. What is trading on equity?
  7. Write a note on Cash Dividend.
  8. What is Implicit cost?
  9. The theory of cost of capital is based on certain assumptions. What is the basic assumption of traditional cost of capital analysis?
  10. Write a note on the implicit cost of capital.

**(10 × 1 = 10 Marks)**

## SECTION – B

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

11. What is Re-ordering level?
12. What is bonus issue?
13. Explain cash dividend.
14. Define cost of capital.
15. What is capital structure?
16. What is capital gearing?
17. Explain various kinds of Working Capital.
18. What is cash budget?
19. What is Ploughing Back of Profits?
20. What are the functions of a factor?
21. What is cost of debt?
22. Write a note on letter of credit.

**(8 × 2 = 16 Marks)**

## SECTION – C

III. Answer **any six** questions. **Each** questions carries **4** marks.

23. What do you understand by cash management? How can it be undertaken?
24. What is meant by EOQ? What are the various costs which affect EOQ?
25. Discuss the walters approach of relevance concept of dividend.

26. Compare NPV method with IRR.
27. Write a note on profitability index.
28. Compare operating leverage and financial leverage.
29. What are the factors determining capital structure?
30. A company issues 10000, 10% preference shares of Rs.100 each redeemable after 10 years at a premium of 5%. The cost of issue is Rs. 2 per share. Calculate the cost of preference capital.
31. The annual demand for a product is 6400 units. The unit cost is Rs. 6 and inventory carrying cost per unit per annum is 25% of the average inventory cost. If the cost of procurement is Rs. 75. determine;
  - (a) EOQ
  - (b) number of orders per annum
  - (c) time between two consecutive orders

**(6 × 4 = 24 Marks)**

#### SECTION – D

IV. Answer **any two** questions. **Each** questions carries **15** marks.

32. Explain different theories of Capital Structure.
33. What are the factors determining Working Capital Requirements?
34. A firm has the following capital structure and after- tax costs for the different sources of funds used :

Source of funds	Amount	Proportion (%)	After – tax (%)
Debt	4,50,000	30	7
Preference capital	3,75,000	25	10
Equity capital	6,75,000	45	15

- (a) Calculate the weighted average cost of capital using book value weights.
- (b) The firm wishes to raise further Rs. 600000 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 cost do not change, computer the weighted marginal cost of capital?

35. Rank the following project in order of their desirability according to the Pay-Back Period Method and the Net Present Value Method (Discount Rate 10%).

Project	Initial outlay	Annual cash flow	Life in years
A	10000	2,500	5
B	8000	2,600	7
C	4000	1,000	15
D	10000	2,400	20
E	5000	1,125	15
F	6000	2,400	6
G	2000	1,000	2

(2 × 15 = 30 Marks)