



K23U 1063

Reg. No. :

Name :

**IV Semester B.B.A./B.B.A. (RTM) Degree (CBCSS – OBE – Regular/
Supplementary/Improvement) Examination, April 2023
(2019 Admission Onwards)**

Core Course

4B07BBA/BBA(RTM) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

SECTION – A

Very Short Answer

Answer **all** the questions. **Each** question carries **one** mark.

1. What is an 'Annuity' ?
2. Define 'Cost of Capital'.
3. What is meant by 'Interim Dividend' ?
4. Comment on the concept of the 'Operating Cycle'.
5. What is meant by 'Over Capitalisation' ?
6. What are 'Term Loans' ?

(6×1=6)

SECTION – B

Short Answer

Answer **any six** questions. **Each** question carries **two** marks.

7. Mr. Das deposited ₹ 10,000 at the rate of 10% compounded annually for 2 years. What would be the amount at the time of maturity ?
8. A Ltd. issued ₹ 1,00,000, 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
9. What are 'Retained Earnings' ?

P.T.O.



10. Introduce the concept of 'Trading on Equity'.
11. Define 'Capital Budgeting'.
12. Mention any two motives for holding cash.
13. Distinguish between Gross Working Capital and Net Working Capital.
14. What is 'Wealth Maximisation' ?

(6×2=12)

SECTION - C
Essay

Answer **any four** questions. **Each** question carries **three** marks.

15. Explain the functions of a Finance Manager in an organisation.
16. Discuss the essentials of a good Capital Structure.
17. Compare NPV and IRR.
18. What is 'EBIT-EPS Analysis' ? Explain.
19. Calculate the ARR of two projects X and Y :

| | Projects | |
|-------------------------------|----------|----------|
| | X | Y |
| Capital Cost | ₹ 40,000 | ₹ 60,000 |
| Earnings after depreciation : | | |
| 1 st year | 5,000 | 8,000 |
| 2 nd year | 7,000 | 10,000 |
| 3 rd year | 6,000 | 7,000 |
| 4 th year | 6,000 | 5,000 |

20. Write a short note on :

- a) VED Analysis
- b) JIT Approach
- c) ABC Analysis.

(4×3=12)



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SECTION - D

Long Essay

Answer any two questions. Each question carries five marks.

21. Define 'Financial Management'. Elucidate in detail its objectives.
22. Describe the factors determining the working capital needs of a firm.
23. The shares of a company are being sold at ₹ 80 per share and the company paid a dividend of ₹ 8 per share last year. The investors expect a growth rate of 5% per year.
 - a) Calculate the equity cost of capital.
 - b) If the expected growth rate is 7% p.a., calculate the market price per share.
24. Each of the following projects requires an initial investment of ₹ 1,00,000. The cash inflows of Project A are ₹ 30,000; ₹ 40,000; ₹ 40,000; ₹ 30,000 and ₹ 30,000. In the case of Project B, the cash inflows are ₹ 20,000; ₹ 30,000; ₹ 50,000; ₹ 40,000, and ₹ 30,000. On the basis of NPV Method, which project is better ?
(2x5=10)



Answer any six questions. Each question carries two marks.

7. Mr. Das deposited ₹ 10,000 at the rate of 10% compounded annually for 2 years. What would be the amount at the time of maturity ?
8. A Ltd. issued ₹ 1,00,000, 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
9. What are 'Retained Earnings' ?

P.T.O.



K22U 1520

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Time : 3 Hours

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PART – A

Answer all questions. Each question carries 1 mark.

1. What do you mean by business finance ?
2. What is Post Pay Back Period Method ?
3. What is marginal cost of capital ?
4. What is working capital ?
5. What is pay back period ?
6. What is Internal Rate of Return ?

(6×1=6)

PART – B

Answer any six questions. Each question carries 2 marks.

7. What do you mean by financing decisions ?
8. A Ltd. issues Rs. 2,00,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt.
9. The current market price of an equity share of a company is Rs. 90. The current dividend per share is Rs. 4.50. In case the dividends are expected to grow at the rate of 7%, calculate the cost of equity capital.

P.T.O.



10. Explain the conservative approach of financing working capital.
11. What do you mean by stretching accounts payable ?
12. Determine the pay back period for a project which requires a cash outlay of Rs. 40,000 and generates cash inflows Rs. 8,000, Rs. 16,000, Rs. 12,000 and Rs. 8,000 in the first, second, third and fourth years respectively.
13. The present value of cash inflows from a project is Rs. 1,20,000, initial outlay is Rs. 80,000. What will be the profitability index of the project ?

14. What is average rate of return method ?

(6×2=12)

PART – C

Answer **any four** questions. **Each** question carries **3** marks.

15. What are the drawbacks of profit maximization objective ?
16. From the following information calculate
 - a) The cost of equity capital using CAPM Method.
Assuming a market return of 15% next year
Risk free rate of return 11%
Beta coefficient of the firm 1.25
 - b) What would be the cost of equity if beta rises to 1.75 ?
17. What is cost of retained earnings ? How it is calculated ?
18. What are the disadvantages of excessive working capital ?
19. A project requires an investment of Rs. 2,50,000 and has a scrap value of Rs. 10,000 after five years. It is expected to yield profits after depreciation and taxes during the five years amounting to Rs. 20,000, Rs. 30,000, Rs. 35,000, Rs. 25,000 and Rs. 10,000. Calculate the average rate of return on the investment.



20. For the following project calculate

- a) Pay back period and
- b) Post back profitability

Initial outlay Rs. 4,00,000

Annual cash inflows (After tax but before depreciation) Rs. 80,000

Estimated life 8 years

(4×3=12)

PART – D

Answer any two questions. Each question carries 5 marks.

- 21. Explain the significance of cost of capital and different types of cost of capital.
- 22. What is working capital ? Explain the factors determining the working capital requirements of a firm.

23. The cost sheet of a company provides the following particulars

Elements of cost

Materials 40%

Direct labour 20%

Overheads 20%

The following particulars are available :

- a) It is proposed to maintain a level of activity of 400000 units.
- b) Selling price is Rs. 12 per unit.
- c) Raw materials are expected to remain in stores for an average period of one month.
- d) Materials will be in process, on average half a month.
- e) Finished goods are required to be in stock for an average period of one month.
- f) Credit allowed to debtors is two months.
- g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirements.



24. A firm whose cost of capital is 10% is considering two mutually exclusive projects A and B, the cash flows of which are given below :

| Year | P.V. Factor at 10% | Project A | Project B |
|------|--------------------|-----------|-----------|
| | | Rs. | Rs. |
| 0 | 1 | - 50,000 | - 35,000 |
| 1 | 0.909 | 40,000 | 30,000 |
| 2 | 0.826 | 40,000 | 30,000 |

Suggest which projects should be taken using

- Net Present Value Method.
- Profitability Index Method.

(2×5=10)



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Examination, April 2021
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4B 07 BBA/BBA(RTM) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

Answer all questions. Each question carries 1 mark.

1. Define Financial Management.
2. What is explicit cost of capital ?
3. What is gross working capital ?
4. What is fixed working capital ?
5. What is capital budgeting ?
6. What is terminal value method ?

(6×1=6)

PART – B

Answer any six questions. Each question carries 2 marks.

7. What do you mean by investment decision ?
8. Determine the payback period for a project which requires a cash outlay of Rs.10,000 and generates cash inflows of Rs. 2,000, Rs. 4,000, Rs. 3,000 and Rs. 2,000 in the first, second, third and fourth year respectively.
9. A company issues 1000 equity shares of Rs.100 each at a premium of 10%. The company has been paying 20% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital.

P.T.O.



10. A Ltd. issues Rs.1,00,000, 8% debentures at a discount of 10%. The tax rate is 50%, compute the cost of debt capital.
11. What is working capital cycle ?
12. What do you mean by ploughing back of profits ?
13. The present value of cash inflows from a project is Rs. 4.50 crore, initial outlay is Rs. 3.75 crore. What will be the profitability index of the project ?
14. What is profitability index ? (6×2=12)

PART – C

Answer **any four** questions. **Each** question carries **3** marks.

15. Briefly explain the scope of financial management.
16. What is realized yield method of calculating cost of equity capital ? What are its assumptions ?
17. From the following information calculate
 - a) The cost of equity capital using CAPM Method
Assuming a market return of 15% next year.
Risk free rate of return 11%
Beta coefficient of the firm 1.25
 - b) What would be the cost of equity if beta rises to 1.75 ?
18. What are the advantages of maintaining adequate working capital ?
19. For the following project calculate
 - a) Pay back period and
 - b) Post back profitability

| | |
|---|-------------|
| Initial outlay | Rs.1,00,000 |
| Annual cash inflows (After tax but before depreciation) | Rs. 20,000 |
| Estimated life | 8 years |
20. A project cost Rs.1,00,000 and yields annually a profit of Rs.16,000 after depreciation @ 12% p.a. but before tax of 50%. Calculate the pay back period. (4×3=12)



PART – D

Answer **any two** questions. **Each** question carries **5** marks.

21. Explain the different methods used for calculating cost of equity share capital.
22. What is working capital ? Explain the factors determining the working capital requirements of a firm.
23. The cost sheet of a company provides the following particulars

Elements of cost

| | |
|---------------|-----|
| Materials | 40% |
| Direct labour | 20% |
| Overheads | 20% |

The following particulars are available :

- a) It is proposed to maintain a level of activity of 2,00,000 units.
- b) Selling price is Rs.12 per unit.
- c) Raw materials are expected to remain in stores for an average period of one month.
- d) Materials will be in process, on average half a month.
- e) Finished goods are required to be in stock for an average period of one month.
- f) Credit allowed to debtors is two months.
- g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirements.

24. The initial outlay of a project is Rs.1,00,000 and it generates cash inflows of Rs. 40,000, Rs.30,000, Rs. 50,000 and Rs. 20,000 in four years. Present value of Re.1 @10% - First year 0.909, Second year 0.826, Third year 0.751 and in the Fourth year 0.683. Calculate
 - a) Net present value
 - b) Profitability index
 - c) Net profitability index.

(2×5=10)