



K23U 2282

Reg. No. :

Name :

V Semester B.B.A. Degree (CBCSS – OBE – Regular/Supplementary/
Improvement) Examination, November 2023
(2019 – 2021 Admissions)

Core Course

I : FINANCE

5B12BBA : Advanced Financial Management

Time : 3 Hours

Max. Marks : 40

PART – A

Answer **all** questions. Each question carries **1** mark. (6×1=6)

1. What is optimum capital structure ?
2. State the modern concept of finance function.
3. What do you mean by degree of operating leverage ?
4. Define dividend policy.
5. What is hard core working capital ?
6. What is a lock box system ?

PART – B

Answer **any six** questions. Each question carries **2** marks. (6×2=12)

7. Differentiate between gross working capital and net working capital.
8. Why the wealth maximization goal is better than profit maximization goal ?
9. What is arbitrage process ?

P.T.O.



10. 'Financial leverage is a two edged sword.' Comment.
11. Explain operating risk.
12. What is re-order level ?
13. List out the assumptions of NI theory.
14. What is debtors' turnover ratio ?

PART – C

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

(4×3=12)

15. What are the motives of holding cash ?
16. The annual demand for a product is 1200 units. The cost of procurement is Rs. 37.50 and carrying cost per unit is Re 1. You are required to calculate EOQ.
17. From the following information, calculate financial leverage :
 - Interest Rs. 40,000
 - Sales (1000 units) Rs. 4,00,000
 - Variable costs Rs. 2,00,000
 - Fixed costs Rs. 1,20,000.
18. The following information relate to a firm :

	2020	2021
Sales units	1000	1500
Selling price per unit	Rs. 10	Rs. 10
EBIT	1500	4500

Calculate degree of operating leverage.

19. What are the different forms of dividend ?
20. What are the responsibilities of a financial manager ?



PART – D

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

(2×5=10)

21. What do you mean by capital structure ? Explain the different theories of capital structure.
22. The EPS of a company is Rs. 10. The equity capitalization rate is 10%. IRR on retained earnings is 20%. By using Gordon's formula, what should be the optimum payout ratio of the company ? What should be price of share at optimum payout ratio ? Shall the price be affected if different payout (Say 55% and 80%) were employed ?
23. Discuss in detail the determinants of working capital.
24. What is financial management ? Explain the nature and scope of financial management.

