



K21U 1062

Reg. No. :

Name :



IV Semester B.B.A./B.B.A.(RTM) Degree CBCSS (OBE) Regular
Examination, April 2021
(2019 Admission Only)

Core Course

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.

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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)