

B.B.A. DEGREE EXAMINATION, NOVEMBER 2018
III Year V Semester
Core Major- Paper XII
FINANCIAL MANAGEMENT

Time : 3 Hours

Max.marks :75

Section A (10 × 2 = 20) Marks

Answer any **TEN** questions

1. Define financial management.
2. What is capital structure?
3. Write a note on cost of capital.
4. State the factors determining cost of capital.
5. Define capital budgeting.
6. What do you understand by capital rationing?
7. Give the meaning of the term dividend.
8. State the objectives of dividend policy.
9. How can you compute market price of share under Walter's model?
10. Write the gross concept of working capital.
11. What are internal source of working capital?
12. Explain the operating cycle.

Section B (5 × 5 = 25) Marks

Answer any **FIVE** questions

13. Give the objectives of financial management.
14. How can you classify the cost of capital?
15. State the features of capital budgeting.
16. What are the factors determining dividend policy?
17. Discuss the advantages of working capital.
18. Calculate operating leverage for Maruti Ltd., from the following information

No. of units produced	50,000
Selling price per unit	Rs. 50
Variable cost per unit	Rs. 20

Fixed cost per unit at current level of sales is Rs. 15. What will be the new operating leverage, if the variable cost is Rs.30 per unit?

19. A project cost Rs.20 lakh and yield annually a profit of Rs.3 lakh after depreciation at $12\frac{1}{2}\%$ but before tax at 50%. Calculate payback period.

Section C ($2 \times 15 = 30$) Marks

Answer any **TWO** questions

20. Discuss the function of financial management.
21. State the assumptions of MM Hypothesis on dividend model.
22. A company is considering investment of Rs. 10,00,000 in a project. The following are the income forecasts, after depreciation and tax:

1st year loss Rs. 1,00,000

2nd year profit Rs. 3,00,000

3rd year profit Rs. 4,00,000

4th year profit Rs.2,00,000

5th year profit Rs.2,00,000

Calculate the accounting rate return.

(a) On original investment method.

(b) On average investment method.

23. From the following Balance Sheet compute (i) Gross working capital and (ii) Net working capital.

BALANCE SHEET AS ON 31.12.17			
Liabilities	Rs.	Assets	Rs.
Share capital	9,00,000	Fixed Assets:	7,00,000
Reserves	1,00,000	Current Assets:	
Current Liabilities:		Cash	60,000
Bank loan	1,00,000	Investments	1,00,000
Creditors	60,000	Debtors	1,40,000
Bills payable	40,000	Inventory	2,00,000
Total	12,00,000	Total	12,00,000

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