

B.B.A. DEGREE EXAMINATION, APRIL 2019
III Year V Semester
Financial Management

Time : 3 Hours

Max.marks :75

Section A ($10 \times 2 = 20$) Marks

Answer any **TEN** questions

1. Define Financial Management.
2. What is Capital Structure?
3. What do you mean by Cost of Capital?
4. What is Weighted Average Cost of Capital?
5. Explain NPV.
6. What is Capital Rationing?
7. Define Dividend.
8. What is Dividend Decisions?
9. Explain Dividend Policy.
10. Define Working Capital.
11. Define Operating Cycle.
12. List any four sources of Working Capital Finance.

Section B ($5 \times 5 = 25$) Marks

Answer any **FIVE** questions

13. Explain the Objectives of Financial Management.
14. Explain the Cost of Capital.
15. Explain the Nature of Investment Decisions.
16. Explain the Importance of Dividend Decisions.
17. Explain the Need for Working Capital Management.
18. Calculate Payback Period for a project which requires a cash outlay of Rs.1,00,000 and generate cash inflows of Rs.25,000 Rs.35,000 Rs.30,000 and Rs.25,000 in the first, second, third and fourth years respectively.

19. ABC Ltd. Has an EBIT of RS.1, 60,000. Its capital structure consists of the following securities:

	Rs.
10% Debentures	5,00,000
12% Preference Shares	1,00,000
Equity shares of Rs.100	4,00,000

The company is in the 55% tax bracket. You are required to determine:

- (a) The Company's EPS
 (b) The percentage change in EPS associated with 30% increase and 30% decrease in EBIT

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

Answer any **TWO** questions

20. Explain the Factors Influencing Capital Structure of a firm.
 21. Calculate the Internal Rate of Return for the following projects and decide which is the most profitable project:

	Project A(Rs.)	Project B(Rs.)	Project C(Rs.)
Initial Cost	60,000	66,000	72,000
Returns: End of Year			
1	3,000	36,000	12,000
2	12,000	24,000	18,000
3	18,000	-	12,000
4	24,000	-	30,000
5	30,000	18,000	12,000
6	(-)6,000	12,000	6,000

22. Discuss Elaborately the Determinants of Dividend Policy.
 23. The following information is available for Swagat Ltd.,

	Rs. in million
Average stock of raw materials and stores	200
Average work-in-process inventory	300
Average finished goods inventory	180
Average accounts receivables	300
Average accounts payable	180
Average raw materials and stores purchased on credit and consumed per day	10
Average work-in-process value of raw materials consumed per day	12.5
Average cost of goods sold per day	18
Average sales per day	20

You are required to calculate:

- a. Duration of raw materials stage
- b. Duration of work-in-progress stage
- c. Duration of finished goods stage
- d. Duration of accounts receivables stage
- e. Duration of accounts payable stage
- f. Duration of the operating cycle.