B.B.A DEGREE EXAMINATION,NOVEMBER 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. What is financial management?
2. What do you mean by optimum capital structure?
3. Lakshmi Ltd., issued 12,000 10% Debentures of Rs.100 each at par. The tax rate is 50%.Calculate before tax and after tax cost of debt.
4. What is Investment Decision?
5. Define Cost of capital
6. What is meant by working capital?
7. What do you mean by Dividend policy?
8. Define the term operating cycle.
9. Find out the economic order quantity from the following particulars: Annual usage: Rs.1, 20,000, Cost of placing and receiving one order: Rs.60, Annual carrying cost=10% inventory value.
10. What is meant by VED analysis?
11. What do you mean by implicit cost?
12. What is EPS?

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

Answer any **FIVE** questions

13. Explain the objectives of financial management.
14. What are the factors determining cost of capital?
15. From the following information relating to Veera Ltd., calculate (a) Operating cycle, (b) No. of operating cycles in a year assuming a 360 day year, and (c) Average working capital required, if annual cash operating expenses are Rs.150 Lakh.
    Stock holding:
    Raw materials : 2 months,
    Working in Process : 15 days,
    Finished goods : 1 month.
    Average debt collection period: 2 months,
    Average payment period : 45 days.

16. Discuss the different types of dividend.
17. Project L has an initial investment of Rs.3 lakh. Its cash inflows for five years are Rs. Rs.90,000, Rs.1,08,000, Rs.90,000, Rs.79,200 and Rs.72,000. Determine the discounted payback period assuming a discount rate of 10% p.a.
18. Explain briefly the benefits of holding inventory.
19. Describe briefly the importance of investment decision.

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

Answer any **TWO** questions

20. Explain briefly the various techniques of inventory control.
21. Veera (P) Ltd. Is considering two plans to finance a project costing Rs.50 lakh. The detail are

Particular	Plan I(Rs.in Lakh)	Plan II(Rs.in Lakh)
Equity share capital (Rs.100 per share)	20	25
12% Debentures	30	25
	50	50

Sales for the first three years of operations are projected at Rs.120, 150 and 180 lakhs respectively. EBIT is expected to be 15% of sales. Corporate taxation is 35%. Calculate the EPS in each of the plans for three years.

22. Jenifer Ltd has a stable income stable dividend policy. The average annual dividend payout is Rs.25 per share(face value: Rs.100).
You are required to ascertain:
(a) Cost of equity capital
(b) Cost of equity capital if the market price of the share is Rs.150.
(c) Expected market price in year 2 if cost of equity is expected to rise to 20%
(d) Dividend payout in year 2 if the company were to have an expected market price of Rs.160 per share, at the existing cost of equity.
23. From the following information extracted from the books of a manufacturing company, compute the operating cycle in days: Period covered: 365 days

Average period of credit allowed by suppliers: 16 days
Average total of debtors outstanding -Rs.4,80,000
Raw material consumption –Rs.44,00,000
Total production cost –Rs.1,00,00,000
Total cost of sales-Rs.1,05,00,000
Sales for the year- Rs.1,60,00,000
Value of average stock maintained:
Raw materials –Rs.3,20,000
Work-in-progress-3,50,000
Finished goods-Rs.2,60,000.

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