

**SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)**

**(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai — 600 044.**

BBA END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - V

18UBACT5013 - Financial Management

Total Duration : 3 Hrs	Total Marks : 75
MCQ : 30 Mins	MCQ : 15
Descriptive : 2 Hrs.30 Mins	Descriptive : 60

Section B

Answer any **SIX** questions ($6 \times 5 = 30$ Marks)

1. Define Financial Management. What are the objectives of Financial Management?
2. What is Cost of Capital? List out the Merits of Cost of Capital.
3. What are the different sources of working capital?
4. Explain the factors determining dividend policy.
5. Describe briefly the benefits of holding inventory.
6. Ascertain Financial Leverage from the information given below;
Net worth = Rs.20,00,000
Debt/Equity ratio = 3:1
Interest Rate = 10%
Operation Profit = Rs.18,00,000
7. Nikhil Electronics Ltd. are concerning the purchase of a machine. Two machines A and B are available each costing Rs.50,000. In comparing the profitability of these machines a discount rate of 10% is to be used. Earnings after taxation are expected to be as follows;

Year	Machine A Cash inflow Rs.	Machine B Cash inflow Rs.
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Contd...

You are also given the following data;

Year	Present value of Re.1 @ 10% discount
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Evaluate the project using; The Payback Period and Accounting Rate of Return.

8. What are the different types of dividend policy?

Section C

Answer any **THREE** questions ($3 \times 10 = 30$ Marks)

9. Define Capital Structure. Discuss the importance of Capital Structure.

10. The total available budget for a company is 20 crore and the total cost of the projects is Rs.25 crore. The projects listed below have been ranked in order of profitability. There is possibility of submitting X project where cost is assumed to be Rs.13 crore and it has the profitability index of 1.40.

Project	Cost (Rs. Crore)	P.I
A	6	1.50
B	5	1.25
C	7	1.20
D	2	1.15
E	5	1.10
	25	

Which projects, including X, should be acquired by the company?

11. Compute the working capital requirements of Raj Ltd. From the information given below;

	Rs.
Annual sales	14,40,000
Cost of production (Including depreciation Rs.95,000)	12,00,000
Raw materials purchases	7,02,000
Overheads per month	32,500
Anticipated opening stock of raw materials	1,43,000
Anticipated closing stock of raw materials	1,30,000

Contd...

Inventory norms:

Raw materials	: 8 weeks
Work –in- progress	: 2 weeks
Finished goods	: 4 weeks
Credit allowed to debtors	: 4 weeks
Credit allowed by creditors	: 2 weeks

Cash balance desire to be maintained: Rs.25,000

The company received an advance of Rs.40,000 on sales orders.

12. Define Dividend Policy. Discuss the importance of dividend decisions.
13. Explain the various techniques of inventory control.