



Reg. No. : .....

Name : .....

IV Semester B.B.A./B.B.A.T.T.M./B.B.A.R.T.M. Degree (CBCSS – 2014  
Admn. – Regular) Examination, May 2016

**CORE COURSE****4B09 BBA/BBA (TTM)/BBA (RTM) : Financial Management**

Time : 3 Hours

Max. Marks : 40

**PART – A**Answer **all** the questions. **Each** question carries  $\frac{1}{2}$  mark :

1. What is Trading on equity ?

2. What is payback period ?

3. What is present value ?

4. What is fixed working capital ?

**(4 ×  $\frac{1}{2}$  = 2)****PART – B**Answer **any four** questions. **Each** question carries **1** mark :

5. What is capital budgeting ?

6. What is opportunity cost of capital ?

7. What is EOQ ?

8. What is optimum cash balance ?

9. What is ARR ?

10. What is Financial Management ?

**(4 × 1 = 4)**

P.T.O.



## PART – C

Answer **any six** questions. **Each** question carries **3** marks :

11. What are the external factors determining capital structure ?
12. What are the various methods of estimating working capital requirement ?
13. Explain the importance of financial management.
14. Explain the need for capital budgeting.
15. Explain the internal factors influencing capital structure.
16. A project which costs Rs. 7,00,000 is expected to yield a profit of Rs. 60,000 after depreciation at 10% on original cost but before tax at 50%. Calculate payback period.
17. Estimated cost of a project is Rs. 5,00,000. The returns after depreciation and tax during the life of the asset are estimated to be is 1,50,000, Rs. 1,25,000, Rs. 1,00,000, Rs. 75,000 and Rs. 50,000. Calculate the average rate of return.
18. You are given the following information regarding two proposals X and Y :

	Project X	Project Y
	Rs.	Rs.
Estimated cost	25,000	25,000
Expected cash inflows (before depreciation and after tax)		
1 <sup>st</sup> year end	15,000	3,000
2 <sup>nd</sup> year end	10,000	7,000
3 <sup>rd</sup> year end	5,000	20,000

Examine which project is preferable under NPV criterion.

Rate of discount is 8%.

P.V. factor at 8% : 0.926 , 0.857 and 0.794.

**(6×3=18)**



## PART – D

Answer **any two** questions. **Each** question carries **8** marks :

19. Explain the important sources of working capital.

20. Find out the IRR from the details furnished below :

Cost of the project                      Rs. 35,000

Expected annual inflow                Rs. 10,000 each

Life of the project                      5 years

PV factor at 10% : 0.909, 0.826, 0.751, 0.683 and 0.621.

PV factor at 15% : 0.870, 0.756, 0.658, 0.572 and 0.497.

PV factor at 20% : 0.833, 0.694, 0.579, 0.482 and 0.402.

21. a) A Ltd., issued Rs. 1,00,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
- b) B Ltd., issued Rs. 1,00,000 8% debentures at a premium of 10% tax rate applicable to the company is 60%. Compute the cost of debt capital.
- c) C Ltd., issues Rs. 1,00,000 8% debentures at a discount of 5%. The tax rate is 50%. Compute the cost of debt capital.
- d) D Ltd., issues Rs. 2,00,000 9% debentures at a premium of 10%. The floatation costs are 2%. The tax rate applicable is 60%. Compute cost of debt capital.

(2×8=16)