



M 9716

Reg. No. :

Name :

V Semester B.B.A./B.B.A.T.T.M/B.B.A.R.T.M. Degree
(CCSS-Reg./Supple./Imp.) Examination, November 2015
BBA/BBATTM/BBARTM – CORE COURSE
5B11 BBA(T)/5B12 BBA/5B11 BBA (RTM)
Financial Management
(2012 Admn. Onwards)

Time: 3 Hours

Max. Weightage : 30

PART – A

This part consist of **two** bunches of question carrying equal weightage of **one**.
Each bunch consist of **four** objective type questions. Answer **all** questions.

- I. 1) _____ determines the number of years required to recover the initial investment policy.
(Payback period, NPV).
- 2) Maximisation of _____ is the main goal of financial management.
(Shareholders wealth, Profit Maximisation)
- 3) Cost of capital is the _____ rate of return expected by its investors.
(Minimum, Maximum)
- 4) Cash is the most _____ asset.
(Liquid, Illiquid) (W=1)

II. State whether the following statements are **true** or **false** :

- 5) Risk and return are not at all related.
- 6) Cash management is a trade off between liquidity and profitability.
- 7) ARR ignores time value of money.
- 8) Operating profit is also known as EAT. (W=1)

P.T.O.



PART – B

Answer **any eight** questions in **one** or **two** sentences **each**. **Each** question carries a weightage of **one**.

9. A project costs Rs. 16,000. The estimated annual cash flows during 3 year life are Rs. 8,000, Rs. 7,000, Rs. 6,000 respectively. Find out payback period.
10. A Ltd., is considering to purchase a machine whose cost is Rs. 1,20,000. Assuming the annual cash savings from using these machines is Rs. 56,000 (before depreciation Rs. 24,000) and tax rate is 50%. Calculate cash in flow.
11. What is overcapitalisation ?
12. What is optimal capital structure ?
13. Explain capital budgeting.
14. Define financial managements.
15. What is bonus share ?
16. What is leverage ?
17. What do you mean by operating cycle ?
18. Explain trading on equity. (W=8×1=8)

PART – C

Answer **any six** questions. Answer not to exceed **one** page. **Each** carries a weightage of **two**.

19. A project costs Rs. 25,000 and has a scrap value of Rs. 5,000 after 5 years. The net profit before depreciation and taxes for the five year period are expected to be Rs. 5,000, Rs. 6,000, Rs. 7,000, Rs. 8,000 and Rs. 10,000. You are required to calculate ARR assuming 50% tax rate and depreciation on straight line method.
20. From the following information, calculate minimum stock level, maximum stock level and re-ordering level.
 - i) Maximum consumption 200 units/day
 - ii) Minimum consumption 150 units/day



- iii) Normal consumption 160 units/day
- iv) Re-order period 10 – 15 days
- v) Re-order quantity 1600 units
- vi) Normal re-order period 12 days.

21. Calculate the degree of operating leverage, degree of financial leverage and degree of combined leverage for the following terms and interpret the results.

	P	Q	R
Output (units)	3,00,000	75,000	5,00,000
Fixed cost (Rs.)	3,50,000	7,00,000	75,000
Unit variable cost (Rs.)	1.00	7.50	.10
Interest expenses (Rs.)	25,000	40,000	Nil
Unit selling price (Rs.)	3.00	25.00	.50

22. What is capital structure ? What are the factors determining capital structure ?
23. What are the factors determining the working capital requirements ?
24. Explain the costs associated with inventory.
25. What is NPV ? What are its advantages ?
26. Explain the principles of working capital management. (W=2×6=12)

PART – D

Answer **any two**. **Each** question carries a weightage of **four**.

27. Define financial management. What are the objectives of financial management ?
28. The following is the capital structure of Saras Ltd., as on 31-12-2013.

Equity shares – 20,000 shares of Rs. 100 each	20,00,000
10% preference shares of Rs. 100 each	8,00,000
12% debentures	12,00,000
	40,00,000



The market price of the company's share is Rs. 110 and it is expected that a dividend of Rs. 10/ share would be declared after one year. The dividend growth rate is 6%.

- i) If the company is in the 50% tax bracket, compute WACC.
- ii) Assuming that in order to finance an expansion plan, the company intends to borrow a fund of Rs. 20 lakhs bearing 14% rate of interest, what will the company's revised WACC ? This financing decision is expected increase dividend from Rs. 10 to Rs. 12/share. However, the market price of equity share is expected to decline from Rs. 110 to Rs. 105/ share.

29. Calculate operating cycle from the following :

	2011	2012	
Raw-material inventory	18,000	20,400	
Work-in progress	12,500	14,500	
Finished goods inventory	10,000	15,000	
Receivables	26,500	29,500	
Trade creditors	11,000	13,000	
Consumption of raw-materials	82,200	87,800	
Purchases	85,000	90,200	
Cost of goods sold	1,25,000	1,40,000	
Sales	1,36,000	1,56,000	(W=2x4=8)