

C 21207

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Name.....

Reg. No.....

**FOURTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION
APRIL 2022**

B.B.A.

BBA IVB 06—FINANCIAL MANAGEMENT

(2014—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part AI. Objective Type Questions. Answer all *ten* questions. Each question carries 1 mark :

(A) Fill up the blanks :

- 1 WACC stands for _____.
- 2 _____ is defined as the possibility of the actual return being different from the expected return on an investment over the period of investment.
- 3 The term _____ profit refers to the figure of profit as determined by the Income statement or Profit and Loss Account.
- 4 Implicit cost is also known as _____.
- 5 Financial leverage deals with the _____ risk of the firm.

(B) State whether the following statements are True or False :

- 6 Dividend decisions relate to the selection of assets in which funds will be invested by a firm.
- 7 According to traditional approach, profit maximisation is the main objective of financial management.
- 8 Maximizing risk is the basic objective of diversification.
- 9 EPS stands for Earnings Per Savings.
- 10 Marginal cost of capital is the cost of additional funds.

(10 × 1 = 10 marks)

Turn over

Part B

II. Short Answer Questions. Answer any *eight* questions from ten in two *or* three sentences each.

Each question carries 2 marks :

- 11 What is the difference between gross working capital and net working capital ?
- 12 What do you mean by sweat equity ?
- 13 What is Re-order level ?
- 14 What is fixed capital ?
- 15 What is economic order quantity ?
- 16 What do you mean by property dividends ?
- 17 A company issues 10,000 10 % preference shares of Rs. 100 each. Cost of issue is Rs.2 per share. Calculate cost of preference share capital.
- 18 A project cost Rs. 2,00,000 and yields an annual cash inflow of Rs. 20,000 for 15 years, calculate payback period.
- 19 ABC Ltd has annual sales of 4000 units. The selling price per unit is Rs. 800. Variable cost per unit is Rs. 200. Fixed cost amounted to Rs. 4,00,000. Calculate operating leverage.
- 20 X Ltd. issued Rs. 2,00,000 8 % debentures at a premium of 10%. The floatation cost are 2 %. The tax rate is 50 %. Compute the after-tax cost of debt.

(8 × 2 = 16 marks)

Part C

III. Short Essay or Paragraph questions. Answer any *six* questions from eight in 150 or 200 words.

Each question carries 4 marks :

- 21 Discuss the various steps involved in capital budgeting process.
- 22 List out the importance of financial management.
- 23 List out the advantages and limitations of payback period method.

- 24 List out any *four* factors that determine cost of capital.
- 25 A firm expects a sale of 90,000 units, which it purchased for Rs. 3 per unit. The order cost is Rs. 300 and the firm's carrying cost is Rs. 6 per unit. What is the Economic Order Quantity ?
- 26 XYZ Limited earns Rs. 5 per share, is capitalized at a rate of 10 % and has a rate of return on investments of 18 %. According the Walter's Formula, what should be the price per share at 25 % dividend pay-out ratio ?
27. A company issues 10,000, 10 % preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued (a) At par ; (b) At a premium of 10 % ; and (c) at a discount of 5 %.
- 28 Sun Ltd. Provides the following information :

		Rs.
Cash sales during the year	...	3,00,000
Credit sales during the year	...	5,40,000
Returns inward	...	40,000
Trade debtors in the beginning	...	1,10,000
Trade debtors at the end	...	90,000
Provision for bad and doubtful debts	...	10,000

Calculate Debtor's Turnover Ratio and Average Collection Period.

(6 × 4 = 24 marks)

Part D

- IV. Essay Questions. Answer any *two* questions in 600 to 800 words each. Each question carries 15 marks :
- 29 What do you mean by working capital ? Explain various sources of working capital.
- 30 What is factoring ? Explain the various types of factoring. What are its advantages and limitations ?

Turn over

31. The following information is available in respect of a product :

(a) Units sold	60,000
(b) Selling price per unit	Rs. 12
(c) Fixed cost	Rs. 60,000
(d) Variable cost per unit	Rs. 6
(e) 10 % debt capital	Rs. 1,20,000

Calculate all types of leverages.

(2 × 15 = 30 marks)