



K21U 4655

Reg. No. :

Name :

**V Semester B.B.A. Degree CBCSS (OBE) Regular Examination, November 2021
(2019 Admn. Only)**

Core Course

I – Finance

5B12BBA : ADVANCED FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

Answer all questions. Each question carries 1 mark.

1. Define Financial Management.
2. What is combined leverage ?
3. What do you mean by gross working capital ?
4. What is cash budget ?
5. Define EOQ.
6. What is stock dividend ?

(6×1=6)

PART – B

Answer any six questions. Each question carries 2 marks.

7. What do you mean by dividend decision ?
8. Explain the importance of Financial Management.
9. Explain the meaning of optimum capital structure.
10. What are the effects of inadequate working capital ?

P.T.O.



11. What are the motives holding cash ?
12. Distinguish between capital structure and financial structure.
13. Explain relevance concept of dividend.
14. Write a note on ageing schedule. (6×2=12)

PART – C

Answer **any four** questions. **Each** question carries **3** marks.

15. Explain the three important financial decisions.
16. What are the limitations of financial leverage ?
17. What are the arguments in favour of wealth maximization goal ?
18. The installed capacity of a factory is 1000 units. The actual production capacity is 700 units. Selling price per unit is Rs. 10 and variable cost per unit is Rs. 4 per unit. Calculate the operating leverage in each of the following situations.
When fixed costs are Rs. 1,000.
When fixed costs are Rs. 1,500.
When fixed costs are Rs. 2,000.
19. From the following information, find out economic order quantity.
Annual usage, 10000 units.
Cost of placing and receiving one order Rs. 50.
Cost of materials per unit Rs. 25.
Annual carrying cost of one unit : 10% of inventory value.
20. There are two firms P and Q which are identical except P does not use any debt in its capital structure while Q has Rs. 8,00,000, 9% debentures in its capital structure. Both the firms have earnings before interest and tax of Rs. 2,60,000 p.a. and the capitalization rate is 10% assuming the corporate tax of 30%, calculate the value of these firms according to MM Hypothesis. (4×3=12)



PART – D

Answer any two questions. Each question carries 5 marks.

21. Define Financial Planning. Explain the steps in financial planning.
22. Explain the factors affecting capital structure.
23. The earnings per share of a company is Rs. 8 and the rate of capitalisation applicable is 10 percent. The company has before it, an option of adopting (i) 50% (ii) 75% and (iii) 100% dividend pay out ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of (a) 15% (b) 10% and (c) 5% on its retained earnings.
24. Prepare an estimate of working capital requirement from the following information of a trading company.
 - a) Projected annual sales – 100000 units.
 - b) Selling price – Rs. 8 per unit.
 - c) Percentage of net profit on sales – 25%.
 - d) Average credit period allowed to customers – 8 weeks.
 - e) Average credit period allowed by suppliers – 4 weeks.
 - f) Average stock holding in terms of sales requirements – 12 weeks.
 - g) Allow 10% for contingencies.

(2×5=10)