K24U 0819

Reg. No. : ....

Name : ....

IV Semester B.B.A./B.B.A. (RTM) Degree (C.B.C.S.S. – O.B.E. – Regular/ Supplementary/Improvement) Examination, April 2024
(2019 to 2022 Admissions)
Core Course
4B07BBA/BBA(RTM) : FINANCIAL MANAGEMENT

Time : 3 Hours Max. Marks : 40

SECTION – A
Very Short Answer

Answer **all** questions. **Each** question carries **one** mark.

1. What do you mean by Cost of Debt ?
2. What do you mean by Capital Structure ?
3. What are the major objectives of Financial Management ?
4. Expand IRR.
5. What is Working Capital ?
6. What do you mean by Capital Budgeting ? **(6×1=6)**

SECTION – B
Short Answer

Answer **any six** questions. **Each** question carries **two** marks.

7. What are the major types of working capital ?
8. Explain briefly the need and importance of capital budgeting.
9. A project cost Rs. 5,00,000 and yield annually a profit of Rs. 80,000 after depreciation @ 12% but before tax of 50%. Calculate payback period.

10. Differentiate between under capitalization and over capitalization.

11. Explain operating cycle concept of working capital.

12. What is ARR ? How it is calculated ?

13. What do you mean by Point of indifference ?

14. What are the significance of Cost of Capital ? **(6×2=12)**

SECTION – C

Essay

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

15. Differentiate between NPV and IRR.

16. Estimated cost of project is Rs. 5,00,000.The returns after depreciation and tax during the life of the asset are estimated to be is Rs.1,50,000, Rs. 1,25,000, Rs. 1,00,000, Rs. 75,000 and Rs. 50,000.
Calculate the Average Rate of Return.

17. Explain briefly the advantages and disadvantages of payback period.

18. What do you mean by inventory ?

19. A company issues 1,000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 20% dividend to equity shareholders for the past five years and expect to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs.160 ?

20. From the following calculate Net working capital

Liabilities	**Rs.**	**Asset**	**Rs.**
Equity shares	2,00,000	Goodwill	20,000
8% debentures	1,00,000	Land and building	1,50,000
Reserves	50,000	Plant and Machinery	1,00,000
Sundry creditors	1,50,000	Inventories	

Bills payable	30,000	Finished goods	60,000
Outstanding expenses	20,000	Work in progress	40,000
Bank overdraft	50,000	Prepaid expenses	20,000
Provision for taxation	20,000	Marketable securities	60,000
Proposed dividend	30,000	Sundry debtors	90,000
		Bills receivables	20,000
		Cash and Bank balance	90,000
	6,50,000		**6,50,000**

(4×3=12)

SECTION – D
Long Essay

Answer **any two** questions. **Each** question carries **five** marks.

21. Compute the market value of the firm, value of shares and average cost of capital from the following information :

Net Operating Income	Rs. 2,00,000
Total Investment	Rs. 10,00,000
Equity Capitalization Rate :	
a) If the firm uses no debt	10%
b) If the firm uses Rs. 4,00,000 debentures	11%
c) If the firm uses Rs. 6,00,000 debentures	13%

Assume that Rs. 4,00,000 debentures can be raised at 5% rate of interest whereas Rs. 6,00,000 debentures can be raised at 6% rate of interest.

22. Explain briefly the major determinants of capital structure.

23. From the following details compute the Net present value of Project A and B and suggest which proposal should be accepted. Discount rate is 10%.

	Project A	**Project B**
Initial investment	Rs. 25,000	Rs. 30,000
Estimated Life	4 years	5 years
Scrap value	2,000	Nil

An additional amount of Rs. 10,000 was spent at the beginning of the second year for Project B. The cash inflows i.e. profit before depreciation and after tax are as follows.

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rs.	Rs.	Rs.	Rs.	Rs.
Project A	5,000	8,000	12,000	7,000	–
Project B	20,000	15,000	12,000	5,000	2,000

Present value (PV) factor at 10% : 0.909, 0.826, 0.751, 0.683 and 0.683.

24. Explain different Evaluation Methods of Capital budgeting. **(2×5=10)**