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SECOND SEMESTER (CUFYUGP) DEGREE EXAMINATION, APRIL 2026

MANAGEMENT STUDIES

BBA2MN101 FINANCIAL MANAGEMENT

2024 Admission onwards

Maximum Time :2 Hours **Maximum Marks :70**

Section A

All Questions can be answered. Each Question carries 3 marks (Ceiling : 24 Marks)

1	What do you mean by Time value of money?
2	Define WACC.
3	Define PBP?
4	Define Dividend.
5	Y Ltd issued 2,00,000, 9% debentures at a premium of 10%. The costs of floatation are 2%. The tax rate is 50%. Compute the after-tax cost of debt.
6	What is meant by angel investor?
7	Find the compound interest on ₹1,000 at 10% per year for 2 years.
8	What do you mean by Residual's Theory of Dividend?
9	What is meant by EBIT – EPS analysis?
10	Define Venture Capital.

Section B

All Questions can be answered. Each Question carries 6 marks (Ceiling : 36 Marks)

11 A company issues 10,000, 10% preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate the cost of preference capital, if these shares are issued
a) at par
b) at a premium of 10%
c) at a discount of 5%.

12 Briefly explain the role of working capital in business.

13 Explain different types of dividend policy.

14 Determine the Average rate of return from the following data.

Particulars	Machine A	Machine B
Original Cost	56,125	56,125
Addl. Investment in Net Working Capital	5,000	6,000
Estimated life in years	5	5
Estimated Salvage Values	3,000	3,000

	Average income-tax rate	55%	55%
	Annual estimated income after depreciation and tax		
	1	3,375	11,375
	2	5,375	9,375
	3	7,375	7,375
	4	9,375	5,375
	5	11,375	3,375

Depreciation has been charged on a straight-line basis.

15 Explain the NI & NOI Theories of capital structure.

16 A Ltd is considering the purchase of a new machine which would carry out some operation at present performed by manual labour. Two alternative models A and B are available for the purpose. From the following information, prepare a profitability statement using payback period for submission to management.

Particulars	**Machine A**	**Machine B**
Estimated Life	5 Years	6 Years
Cost of Machine	80,000	1,50,000
Estimated additional cost		
Maintenance per month	500	750
Indirect materials per annum	2,000	3,000
Supervision per quarter	3,000	4,500
Estimated Savings		
Savings in scrap	8000	12000
Estimated savings in direct wages per annum		
Employees not required	10	15
Wages per employees	7200	7200

Depreciation is calculated using straight line method. Taxation may be taken@ 50% of profit.

17 Differentiate the Walter's model & Gordon's model of dividend policy.

A company has to make a choice between two projects, namely A and B. The initial capital outlays of two projects are Rs. 1,60,000 and Rs. 2,60,000, respectively, for A and B. The discount factor is 10%. The annual income is as under:

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Year	Project A	Project B	D.F at 10%
1	-	50,000	0.909
2	45,000	70,000	0.826
3	1,22,000	86,000	0.751
4	80,000	99,000	0.683
5	90,000	80,000	0.621

You are required to calculate for each project:

a) Net Present value b) Profitability index

Section C

Answer any ONE. Each Question carries 10 marks (1x10=10 Marks)

19 X Ltd has the following amount and specific costs of each type of capital:

Type of Capital	Book Value	Market Value	Specific Cost
Preference Shares	1,50,000	1,75,000	13%
Equity Shares	3,00,000	14,00,000	18%
Retained Earnings	2,00,000	0	0
Debt	1,00,000	1,20,000	11%

Determine the weighted average cost of capital using book-value and market-value weights.

20 Explain the different sources of finance.