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(Pages : 4)

Name.....

Reg. No.....

**THIRD SEMESTER (CBCSS—U.G.) DEGREE EXAMINATION
NOVEMBER 2025**

B.B.A.

BBA 3B 05—FINANCIAL MANAGEMENT

(2020—2023 Admissions)

Time : Two Hours and a Half

Maximum : 80 Marks

Part A*Answer all questions.*

1. What is Financial Management ?
2. What is Financial Plan ?
3. What is Dividend Decision ?
4. Briefly explain Financial Leverage.
5. What is Fixed Capital ?
6. What is Watered Stock ?
7. Define Explicit Cost.
8. Explain Financial Breakeven Point.
9. What is Capital Gearing ?
10. What is Net Working Capital ?
11. Explain Modified Pecking Order Theory.
12. What is Cash Budget ?
13. What is JIT ?

Turn over

14. Explain Right Issue.
15. What is Economic Value Added ?

(15 × 2 = 30 Maximum Ceiling 25 marks)

Part B

Answer all questions.

16. Explain the Scope of Finance Function.
17. Explain various Capital Budgeting Decisions.
18. What are the Major Determinants of Capital Structure ?
19. A Ltd. Company has equity share capital of Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 3,00,000 for expansion cum modernization plans. The company plans the following financing schemes.
 - (a) All common stock.
 - (b) One lakh in common stock and two lakhs in 10 % debentures.
 - (c) All debt at 10 % p.a
 - (d) One lakhs in common stock and two lakhs in preference capital with the rate of dividend at 8 %.

The company's EBIT are Rs. 1,50,000. The corporate rate of tax is 50 %. You are required to determine the EPS in each plan and comment on the implications of financial leverage.

20. A company issues Rs. 10,00,000 10 % redeemable debentures at a discount of 5 %. The cost of floatation amount to Rs. 30,000. The debentures are redeemable after 5 years. Calculate cost of debt assuming a tax rate of 50 %.
21. The initial cash outlay of a project is Rs. 50,000 and it generates cash inflows of Rs. 20,000, Rs. 15,000, Rs. 25,000 and Rs. 10,000 in four years. Using present value index method, appraise profitability of the proposed investment assuming 10 % rate of discount.
22. The current price of a company's share is Rs. 200. The company is expected to pay a dividend of Rs. 5 per share next year with an annual growth rate of 10 per cent. If an investor's required rate of return is 12 %, should he buy the shares ?

23. A firm's K_e (return available to shareholders) is 15 %, the average tax rate of the shareholders is 40 % and is expected that 2 % is brokerage cost that shareholders will have to pay while investing their dividends in alternative securities. What is the cost of retained earnings ?

(8 × 5 = 45 Maximum Ceiling 35 marks)

Part C

Answer any two questions.

24. Explain various Tools and Techniques used for Inventory Management.
25. From the following capital structure of a company calculate the overall cost of capital, using :
(a) Book value weights ; and (b) Market value weights.

Source	Book Value	Market Value
Equity Share Capital (Rs.10 each)	45,000	90,000
Retained Earnings	15,000	
Preference Share Capital	10,000	10,000
Debentures	30,000	30,000

The after-tax cost of different sources of finance is as follows :

Equity share capital : 14 %, Retained earnings : 13 %, Preference share capital : 10 %, Debentures 5 %.

26. A proforma cost sheet of a company provide the following particulars :

Elements of Cost :

Material	:	40 %
Direct Labour	:	20 %
Overheads	:	20 %

The following further particulars are available :

- (a) It is proposed to maintain a level of activity of 2,00,000 units.
- (b) Selling price is Rs. 12 per unit.
- (c) Raw materials are expected to remain in store for an average period of one month.

Turn over

- (d) Material will be in process, on averages half a month and is assumed to be consisting of 100 % raw material, wages and overheads
- (e) Finished goods are required to be stock for an average period of one months.
- (f) Credit allowed to debtors is two months.
- (g) 'Credit allowed by suppliers is one month

You may assume that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirements.

27. What is capital budgeting ? Why it is significant for a firm ?

(2 × 10 = 20 marks)