



QP CODE: 19101340

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Reg No :

Name :

BBA DEGREE (CBCS) EXAMINATION, MAY 2019

Fourth Semester

Bachelor of Business Administration

Core Course - BA4CRT16 - FINANCIAL MANAGEMENT

2017 Admission onwards

929BBEE9

Maximum Marks: 80

Time: 3 Hours

Part A

Answer any **ten** questions.

Each question carries **2** marks.

1. "Profit maximization ignores the quality aspect of benefits associated with a financial course of action". Explain
2. What are the functions performed by a treasurer in a well organised modern business enterprise?
3. What is a commercial paper?
4. Mention any two drawbacks of debt financing
5. What is net working capital?
6. What are the steps involved in collection policy of receivables?
7. How the legal requirements influence the capital structure of a company ?
8. What is the net operating income approach of capital structure.
9. How do we compute financial leverage?
10. What is an irregular dividend policy?
11. Write any two assumptions of Modigliani -Miller model of dividend policy.
12. What is fixed rupee amount of dividend?

(10×2=20)

Part B

Answer any **six** questions.

Each question carries **5** marks.

13. What is business finance? Explain its significance
14. What are the criticism raised against Traditional Approach to Financial Management?
15. "Commercial Banks are an important source of Short Term finance to an Indian Businessman". Comment.
16. What is a Debenture? Explain the merits of raising funds through debentures.
17. Explain the concept of operating cycle.
18. Explain the importance of cash management.





19. The current market price of the shares of Beta Ltd. is Rs. 95. Dividend amounts to Rs. 4.50 and is expected to grow at a rate of 7%. You are required to calculate the cost of equity share capital.
20. A firm's K_e (return available to shareholders) is 10%, the average tax rate of shareholders is 50% and it 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?
21. Explain the Gordon's Model of dividend policy. What are its assumptions ?

(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.

22. What is wealth maximisation approach? What are its merits? How the wealth maximisation approach overcomes the drawbacks of profit maximisation?
23. What are various sources available to an Indian businessman for raising funds?
24. A proforma cost sheet of a company provides 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 stores for an average period of one month.
- (d) Materials will be in process, on averages half a month.
- (e) Finished goods are required to be in stock for an average period of one month.
- (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

25. A company has on its books the following amounts and specific costs of each type of capital.

Type of Capital	Book Value	Market Value	Specific Costs (%)
Debt	4,00,000	3,80,000	5
Preference	1,00,000	1,10,000	8
Equity	6,00,000	9,00,000	15
Retained Earnings	2,00,000	3,00,000	13
	<u>13,00,000</u>	<u>16,90,000</u>	

Determine the weighted average cost of capital using:

- (a) Book value weights, and
- (b) Market value weights.

(2×15=30)

