



QP CODE: 19101340

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 Modiglilani -Miller model of dividend policy.
- 12. What is fixed rupee amount of dividend?

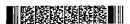
(10×2=20)

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.



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Turn Over



- 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 Ke (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 Gorden'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
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Determine the weighted average cost of capital using:

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

(2×15=30)

