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21BBA2C4FM1

BBA II Semester Degree Examination, September/October - 2023

MANAGEMENT

Financial Management

(NEP)

Time : 2 Hours | Maximum Marks : 60

Note : *(i) Attend all Sections.*

(ii) Present Value Interest Factor Table is allowed

SECTION - A

1. Answer the following sub-questions, each sub-question carries **one** marks. **10x1=10**

(a) Define Financial Management.

(b) Mention any two finance functions.

(c) What is marginal cost of capital ?

(d) What is cost of retained earnings ?

(e) Mention the non-discounted cash flow techniques.

(f) What do you mean by capital budgeting ?

(g) Expand RoI and RoE.

(h) What is leverage ?

(i) Mention any two dividend theories.

(j) What is dividend ?

SECTION - B

Answer **any four** of the following questions, each question carries **five** marks. **4x5=20**

2. Briefly explain the importance of working capital management.

3. Explain the financial functions of a finance manager.

4. A company issues Rs. 1,00,000, 10% preference shares of Rs. 100 each redeemable after 10 years at face value. Cost of issue is 10%, calculate cost of preference share.

5. A project costs Rs. 5,00,000 and has a scrap value of Rs. 1,00,000. It's stream on income before depreciation and taxes during the 5 years is as follows : 1,00,000 - 1,20,000 - 1,40,000 - 1,60,000 and 2,00,000. Assume a 50% tax rate and depreciation on straight line basis, calculate the accounting rate of return for the above project.

6. Calculate EPS

(a) 10,000 equity shares of Rs. 10 each

(b) 10%, 12000 preference shares of Rs. 10 each.

(c) Profit before tax Rs. 80,000

(d) Rate of tax applicable is 50%

7. What is capital budgeting ? Explain the capital budgeting process.

SECTION - C

Answer **any three** of the following questions, each question carries **ten** marks. **3x10=30**

8. What do you mean by capital structure ? Explain the factors affecting capital structure.

9. Calculate operating, financial and combined leverage for the following firms :

	P	**Q**	**R**
Output (Units)	3,00,000	75,000	5,00,000
Fixed Cost (Rs.)	3,50,000	7,00,000	75,000
Variable Cost per unit (Rs.)	1.00	7.50	0.10
Interest Expenses (Rs.)	25,000	40,000	-
Selling price per unit (Rs.)	3.00	25.00	0.50

10. A project needs an investment of Rs. 1,38,500, the cost of capital is 12%, the net cash inflows are as follows :

Year	1	2	3	4	5
CFAT (Rs.)	30,000	40,000	60,000	30,000	20,000

Calculate IRR and suggest whether the project should be accepted or not.

11. XYZ Company supplied the following information to you and requested to compute WACC based on book values as well as market values and comment on the outcome.

Source of Finance	Book Value (Rs.)	Market Value (Rs.)	After tax cost (%)
Equity Capital	10,00,000	15,00,000	12
Long-term-debt	8,00,000	7,50,000	7
Short-term-debt	2,00,000	2,00,000	4
Total	**20,00,000**	**24,50,000**	

12. Estimate the working capital required (for the level of activity 1,50,000 units) for the firm after adding 10% contingency, you may assume that production is carried on evenly throughout the year and wages and overhead expenses accrue similarly.

	Cost per unit (Rs.)
Raw materials	38.5
Direct labour	11.8
Overheads (including depreciation Rs. 5)	32.0
Total Cost	82.3
Profit	17.7
Selling Price	**100**

Average raw materials in stock : Four weeks

Average materials-in-process (RMs 100% and remaining 50% completion stage) : Half of month

Average finished goods in stock : Four weeks

Credit allowed by suppliers : One month

Credit allowed to debtors : Eight weeks

Lag in payment of wages : Two weeks

Cash at bank is expected to be Rs 1,00,000.

All sales are Credit Sales.

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