Q.P. Code - 56432

Fourth Semester B.B.M. Degree Examination, April/May 2019

(CBCS Scheme)

Management

FINANCIAL MANAGEMENT

Time : 3 Hours] *[Max. Marks : 90*

Instructions to Candidates : Answers should be written completely in English.

SECTION – A

Answer any **TEN** of the following questions. Each question carries **2** marks.
(10 × 2 = 20)

1. (a) What is time value of money?

   (b) Define Financial Management.

   (c) What do you mean by operating cycle?

   (d) Give the meaning of bonus shares.

   (e) What is capital structure?

   (f) What do you mean by operating cycle?

   (g) What is capital budgeting?

   (h) What do you mean by working capital?

   (i) Give the meaning of investment decision.

   (j) What do you mean by 'stock' dividend?

   (k) Give the meaning of combined leverage.

   (l) Name two types of dividend policies.

SECTION – B

Answer any **FIVE** of the following questions. Each question carries **5** marks :
(5 × 5 = 25)

2. Explain the scope of Financial Management.

3. Discuss the changing role of Finance Manager.

4. State any ten determinants of dividend policy.

5. Discuss the capital budgeting process.

6. What is payback period? State its merits.

7. Find out the present value of annuity receipt of ₹ 8,000 for 4 years at the rate of 8% discount rate.

8. Determine the three types of leverages from the following information.

Sales (Rs.)	6,00,000
Variable cost (Rs.)	2,50,000
Fixed cost (Rs.)	1,00,000
8% debentures (Rs.)	2,00,000
Corporate tax rate	25%

SECTION – C

Answer any **THREE** of the following questions. Each question carries **15** marks :
(3 × 15 = 45)

9. Explain the factors influencing capital structure.

10. State and explain the different goals of Financial Management.

11. Explain the determinants of working cap .al.

12. A Company has EBIT of Rs. 4,80,000 and its capital structure consists of the following securities.

Equity share capital (Rs. 10 each)	4,00,000
12% preference share capital	6,00,000
14.5% debentures	10,00,000

The company is facing fluctuation in its sales.

What would be the change in EPS?

(a) If EBIT of the company increased by 25% and

(b) If EBIT of the company decreased by 25%?

The corporate tax is 25%

13. XYZ Limited is considering the purchase of a Machine. Two machines are available A & B. The cost of each machine is Rs. 1,20,000. Each machine has an expected life of 5 years.

Net profit after tax are as follows :

Year	Machine A	Machine B
1	30000	10000
2	40000	30000
3	50000	40000
4	30000	60000
5	20000	40000

Evaluate the Machines and suggest which Machine can be purchased using payback period and Net present value method. The cost of capital may be assumed at 10%. The P.V. factors at 10% of Rupee one for 5 years are as follows :

Years :	1	2	3	4	5
P.V. Factors :	0.909	0.826	0.751	0.683	0.621