

**E 3306**

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Reg. No.....

Name.....

**B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2016**

**Fifth Semester**

**Core Course—FINANCIAL MANAGEMENT**

(2013 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

**Part A**

*Answer all questions.  
Each question carries 1 mark.*

1. Define Financial Management.
2. Define Cost of Capital.
3. What is a Debenture ?
4. What are the two forms of Corporate Securities ?
5. Define Capital Structure.
6. Name various motives of holding cash.
7. What do you mean by receivables ?
8. What is inventory turnover ratio ?
9. Give the meaning of 'Net Working Capital'.
10. What is 'Scrip Dividend' ?

(10 × 1 = 10)

**Part B**

*Answer any eight questions.  
Each question carries 2 marks.*

11. What is Financial Forecasting ?
12. What is meant by Trading on equity ?
13. Distinguish between implicit cost of capital and explicit cost of capital.
14. What do you mean by Commercial paper ?
15. What is meant by Factoring ?

**Turn over**

16. What do you mean by ABC analysis ?
17. What is EOQ ?
18. What is hard-core working capital ?
19. Give the advantages of preference shares as a source of finance.
20. What do you mean by bonus issue ?
21. What is indifference point ?
22. What is stable dividend policy ?

(8 × 2 = 16)

### Part C

*Answer any six questions.  
Each question carries 4 marks.*

23. What are the functions of a finance manager ?
24. Explain the objectives of the financial management.
25. Explain the Baumol's model of Cash Management.
26. What are the determinants of dividend policy ?
27. What are the principles of working capital management ?
28. Explain the traditional approach of capital structure.
29. The details of the proposed issue of debentures of a company are given below :
  - (1) Face value of debentures Rs. 1,000.
  - (2) Coupon rate of interest 15 %.
  - (3) Premium on redemption 10 %.
  - (4) Cost of floatation 3 %.
  - (5) Period of maturity 5 years.
  - (6) Tax rate 50 %.

Compute the cost of debt assuming that the issue is made : (a) At par ; and (b) At a discount of 5 %.

30. What are the various factors affecting financing decision ?

31. An analytical statement of HK Company is shown below :

	Rs.
Sales	9,60,000
Variable cost	5,60,000
Revenue before fixed cost	4,00,000
Fixed cost	2,40,000
	1,60,000
Interest	60,000
Earning before tax	1,00,000
Tax	50,000
Net Income	50,000

Calculate the degree of :

- (i) Operating leverage ;
- (ii) Financial leverage ; and
- (iii) The combined leverage from the above data.

(6 × 4 = 24)

#### Part D

*Answer any two questions.  
Each question carries 15 marks.*

32. Explain the factors that determine the capital structure of a firm.
33. Critically examine MM theory of dividend.
34. Prepare an estimate of working capital requirement from the following information of a trading concern :

- |  |   |                 |
|--|---|-----------------|
| (a) Project annual sales                                 | – | 1,00,000 units. |
| (b) Selling Price  | – | Rs. 8 per unit. |
| (c) Percentage of net profit on sales                    | – | 25 %.           |
| (d) Average credit period allowed to customers           | – | 8 weeks.        |
| (e) Average credit period allowed by suppliers           | – | 4 weeks.        |
| (f) Average stock holding in terms of sales requirements | – | 12 weeks.       |
| (g) Allow 10 % for contingencies.                        |   |                 |

35. What are the different sources of finance available for an organisation ?

(2 × 15 = 30)