



QP CODE: 24020613



Reg No :

Name :

BBA DEGREE (CBCS) REGULAR EXAMINATIONS, APRIL 2024

Fourth Semester

Bachelor of Business Administration

Core Course - BA4CRT16 - FINANCIAL MANAGEMENT

2017 Admission Onwards

016931E0

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

*Each question carries **2** marks.*

1. How wealth maximisation removes the technical limitations of profit maximization criterion ?
2. What is the major function performed by a finance committee?
3. What is non recourse factoring?
4. Mention any two drawbacks of debt financing.
5. How does the general nature of business influence working capital?
6. What is a credit policy?
7. What is specific cost and composite cost?
8. Define the term capital structure.
9. What is point of indifference?
10. What do you mean by 'no dividend' policy?
11. What do you mean by Gordon's dividend capitalization model?
12. What is cash dividend?

(10×2=20)

Part B

*Answer any **six** questions.*

*Each question carries **5** marks.*

13. Explain the relevance of economics to Financial Management.
14. What do you mean by Investment Decision? What are the two important aspects of Investment Decision?





15. What are the merits of raising funds from a commercial bank ?
16. What is a Debenture? Explain the merits of raising funds through debentures.
17. Explain the need for working capital.
18. Explain the various concepts of working capital .
19. Y Ltd issued Rs. 2,00,000, 9% debentures at a premium of 10%. The costs of floatation are 2% . The tax rate is 50%. Compute the after tax cost of debt.
20. A Company has the following capital structure. Equity share capital Rs 1,00,000 10% Prof. share capital Rs 1,00,000 8% Debentures Rs 1,25,000 The present EBIT is Rs. 50,000. Calculate the financial leverage assuring that the company is in 50% tax bracket.
21. What are the assumptions and drawbacks of Modigliani -Miller Model of dividend policy?
(6×5=30)

Part C

Answer any **two** questions.

Each question carries **15** marks.

22. What is profit maximisation approach? What are its demerits? 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. From the following information prepare a cash budget for the months of June and July

Month	Credit Sales (Rs)	Credit Purchases (Rs)	Manufacturing Expense (Rs)	Selling Expense (Rs)
April	80 000	60 000	2 000	3 000
May	84 000	64 000	2 400	2 800
June	90 000	66 000	2 600	2 800
July	84 000	64 000	2 000	2 600

Additional Information:

1. Advance tax of Rs 4,000 payable in June and in December
 2. Credit period allowed to debtors is two months
 3. Credit period allowed by the vendors or suppliers
 4. Delay in the payment of other expenses one month
 5. Opening balance of cash on 1st June is estimated as Rs.20,000/-
25. What is Optimum Capital Structure? What are the factors determining capital Structure of a Company.
(2×15=30)

