

E 1865

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Reg. No.....

Name.....

B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2015

Fifth Semester

Core Course—FINANCIAL MANAGEMENT

(2013 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all questions.

Each question carries 1 mark.

1. What is share ?
2. What is leverage ?
3. What is working capital ?
4. Define credit policy.
5. What is Operating Cycle ?
6. Define stock dividend.
7. What is marginal cost of capital ?
8. What is capital gearing ?
9. What do you understand by time value of money ?
10. What is meant by Optimum Capital structure ?

(10 × 1 = 10)

Part B

Answer any eight questions.

Each question carries 2 marks.

11. Distinguish between capital structure and financial structure.
12. What is arbitrage process ?
13. What is concentration banking ?
14. State the objectives of inventory management.
15. What is ageing schedule of debtors ?
16. Distinguish between gross working capital and networking capital.
17. Write advantages of trade credit as source of short-term finance.

Turn over

18. State the characteristics of equity shares.
19. What is indifference point ?
20. If the sales of a company are Rs. 5,00,000, variable cost is 70 % of sales and fixed costs are Rs. 1,00,000, what will be its operating leverage ?
21. What is the weighted average cost of capital ?
22. What do you mean by commercial paper ?

(8 × 2 = 16)

Part C

Answer any six questions.

Each question carries 4 marks.

23. Explain the role of financial management in an organisation.
24. What are the different kinds of debentures ?
25. Write a short note on stable dividend policy.
26. Explain ABC analysis.
27. What are the motives of holding cash ?
28. Explain net operating income approach of capital structure.
29. What are the factors affecting the size of investment in receivables ?
30. Explain the need and significance of working capital management.
31. A company issued 20,000 5 % preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued : (a) At par ; (b) At a premium of 10 % ; and (c) at a discount of 5 %.

(6 × 4 = 24)

Part D

Answer any two questions.

Each question carries 15 marks.

32. Define financial management. Discuss its objectives.
33. Explain Walter's theory of dividend.

34. From the following particulars prepare a statement showing Working Capital needed to finance a level of activity 12,000 units of output per annum :

Analysis of Selling Price per unit :

		Rs.
Raw materials	...	5
Labour	...	3
Overhead	...	2
		—
		10
Profit	...	2
		—
Selling Price	...	12
		—

Additional Information :—

- (i) Raw materials are to remain in store on an average 1 month.
- (ii) Materials are in process, on an average of 2 months.
- (iii) Finished goods are in stock on an average of 3 months.
- (iv) Credit allowed to Debtors is 4 months.
- (v) Credit allowed by suppliers is 2 months.

It may be assumed that production and overheads accrue evenly throughout the year.

35. Explain the types of leverages. State their significance.

(2 × 15 = 30)