



K22U 1520

Reg. No. : .....

Name : .....



IV Semester B.B.A./B.B.A. (RTM) Degree CBCSS (OBE) Regular/  
Supplementary/Improvement Examination, April 2022  
(2019 Admission Onwards)  
Core Course  
4B07BBA/BBA(RTM) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

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

1. What do you mean by business finance ?
2. What is Post Pay Back Period Method ?
3. What is marginal cost of capital ?
4. What is working capital ?
5. What is pay back period ?
6. What is Internal Rate of Return ? (6×1=6)

PART – B

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

7. What do you mean by financing decisions ?
8. A Ltd. issues Rs. 2,00,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt.
9. The current market price of an equity share of a company is Rs. 90. The current dividend per share is Rs. 4.50. In case the dividends are expected to grow at the rate of 7%, calculate the cost of equity capital.

P.T.O.



10. Explain the conservative approach of financing working capital.
11. What do you mean by stretching accounts payable ?
12. Determine the pay back period for a project which requires a cash outlay of Rs. 40,000 and generates cash inflows Rs. 8,000, Rs. 16,000, Rs. 12,000 and Rs. 8,000 in the first, second, third and fourth years respectively.
13. The present value of cash inflows from a project is Rs. 1,20,000, initial outlay is Rs. 80,000. What will be the profitability index of the project ?
14. What is average rate of return method ? (6×2=12)

PART – C

Answer **any four** questions. **Each** question carries **3** marks.

15. What are the drawbacks of profit maximization objective ?
16. From the following information calculate
  - a) The cost of equity capital using CAPM Method.  
Assuming a market return of 15% next year  
Risk free rate of return 11%  
Beta coefficient of the firm 1.25
  - b) What would be the cost of equity if beta rises to 1.75 ?
17. What is cost of retained earnings ? How it is calculated ?
18. What are the disadvantages of excessive working capital ?
19. A project requires an investment of Rs. 2,50,000 and has a scrap value of Rs. 10,000 after five years. It is expected to yield profits after depreciation and taxes during the five years amounting to Rs. 20,000, Rs. 30,000, Rs. 35,000, Rs. 25,000 and Rs. 10,000. Calculate the average rate of return on the investment.



20. For the following project calculate

- a) Pay back period and
- b) Post back profitability

Initial outlay Rs. 4,00,000

Annual cash inflows (After tax but before depreciation) Rs. 80,000

Estimated life 8 years

(4×3=12)

PART – D

Answer **any two** questions. **Each** question carries **5** marks.

- 21. Explain the significance of cost of capital and different types of cost of capital.
- 22. What is working capital ? Explain the factors determining the working capital requirements of a firm.
- 23. The cost sheet of a company provides the following particulars

Elements of cost

Materials 40%

Direct labour 20%

Overheads 20%

The following particulars are available :

- a) It is proposed to maintain a level of activity of 400000 units.
- b) Selling price is Rs. 12 per unit.
- c) Raw materials are expected to remain in stores for an average period of one month.
- d) Materials will be in process, on average half a month.
- e) Finished goods are required to be in stock for an average period of one month.
- f) Credit allowed to debtors is two months.
- g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirements.



24. A firm whose cost of capital is 10% is considering two mutually exclusive projects A and B, the cash flows of which are given below :

Year	P.V. Factor at 10%	Project A	Project B
		Rs.	Rs.
0	1	- 50,000	- 35,000
1	0.909	40,000	30,000
2	0.826	40,000	30,000

Suggest which projects should be taken using

- Net Present Value Method.
- Profitability Index Method.

(2×5=10)