

(6 pages)

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B.B.A. (CBCS) DEGREE EXAMINATION, APRIL 2014.

Sixth Semester

Business Administration — Main

FINANCIAL MANAGEMENT

(For those who joined in July 2008–2011)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer.

1. The asset value recorded in the books is called as
(a) book value (b) market value
(c) liquidation value (d) replacement value
2. Financing includes depreciation funds and retained earnings are called as
(a) internal financing (b) loan financing
(c) security financing (d) trade credit

3. The investment on land, plant and equipments, machinery as _____
(a) working capital (b) fixed capital
(c) neutral capital (d) none of the above
4. The excess of current assets over current liabilities is _____
(a) gross working capital
(b) net working capital
(c) variable working capital
(d) none of the above
5. Inventory is a constituent of
(a) working capital (b) fixed capital
(c) neutral capital (d) not a capital
6. The cost associated with placing an order is
(a) ordering cost (b) carrying cost
(c) annual consumption (d) none of the above
7. Stable dividend means
(a) constant dividend per share
(b) constant pay out ratio
(c) stable rupee dividend plus extra dividend
(d) all the above

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8. The general forms of dividend are
 (a) bond dividend (b) stock dividend
 (c) cash dividend (d) all the above
9. Cost of capital consist of the following components
 (a) normal rate of return at the zero risk level
 (b) premium for business risk
 (c) premium for financial risk
 (d) all the above
10. Finance function refers to
 (a) procurement of funds and their effective utilization
 (b) raising of funds
 (c) allocation of funds for effective utilization
 (d) none of the above

PART B — (5 × 5 = 25 marks)

Answer ALL the questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) What is weighted average cost of capital?
 Or
 (b) What are the types of securities?

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12. (a) What is credit standard?
 Or
 (b) What are the types of working capital?
13. (a) What is net present value?
 Or
 (b) What is internal rate of return?
14. (a) What is relevance dividend?
 Or
 (b) What are the alternative forms of dividend?
15. (a) What is a liquidity decision?
 Or
 (b) Explain any two objective of financial management.

PART C — (5 × 8 = 40 marks)

Answer ALL the questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Explain Modigliani–miller approach in detail.
 Or
 (b) Explain the types of capital and Hedging.

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[P.T.O.]



17. (a) What are credit standard and collection policy followed by modern financial manufacture?

Or

- (b) Explain the costs and benefits of holding inventory.
18. (a) The following data is available in respect of two mutually exclusive projects to be consider by the management for investment

Cash in flows before depreciation

Years	Project X Rs.	Project Y Rs.
1	60,000	90,000
2	75,000	1,50,000
3	1,20,000	1,75,000
4	1,80,000	1,25,000
5	2,50,000	50,000

Project X cost is Rs. 2,75,000 and project Y cost is Rs. 3,00,000 an investment of this type is expected to an a discounted rate of return of atleast 12%. You are required to determine the more desirable project by

- (i) NPV method
(ii) PI method
(iii) Pay back period methods.

Or

- (b) Explain the Modigliani miller approach in details.

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19. (a) The earnings per share of pome Ltd. is Rs. 20 The rate of capitalisation is 20% and the rate of return on investment is 9%.

Compare the market price per share using walters formula if the dividend payout is

- (i) 20%
(ii) 60%
(iii) 100% which is the ideal payout?

Or

- (b) What are the alternative forms of dividends explain in detail?
20. (a) Write down the basic principles of financial decisions?

Or

- (b) Explain the various types of securities available for large companies?

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