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Reg. No. : ....

Name : ....

Fourth Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination, February 2021.

Paper II : FINANCIAL MANAGEMENT

Time : 3 Hours Max. Marks : 80

PART – A

I. Explain **any five** of the following questions. Each answer should not exceed **50** words. Each question carries **2** marks.

1. Define the term 'Capital Budgeting'.

2. What is meant by 'trading on equity'?

3. Distinguish between operating leverage and financial leverage.

4. What is over capitalization?

5. What is ROCE?

6. What do you mean by IRR?

7. What is meant by capitalization of profits?

(5 × 2 = 10 Marks)

PART – B

II. Answer **any four** of the followings questions. Each answer should not exceed **120** words. Each question carries **4** marks.

8. Define Capital structure. Briefly explain the capital structure theories.

9. What are the factors affecting working capital requirements?

P.T.O.

10. What do you mean by cost of retained earnings? How will you calculate it?

11. Distinguish between capital structure and financial structure.

12. Distinguish between IRR and NPV methods of capital budgeting.

(4 × 4 = 16 Marks)

PART – C

III. Answer **any four** of the followings questions. Each question carries **6** marks.

13. Briefly explain financial leverage and operating leverage.

14. A company issued Rs. 1,00,000, 10% redeemable debentures at a discount of 5%. The cost of floatation amount to Rs. 3,000. The debentures are redeemable after 5 years. Compute before - tax and after - tax cost of debt. The tax rate is 50%.

15. Explain different methods used in estimating working capital requirements.

16. Give a brief note on dividend theory.

17. Write a note on the techniques of cash management.

18. Explain over capitalization and under capitalization.

(4 × 6 = 24 Marks)

PART – D

IV. Answer **any three** of the followings questions. Each question carries **10** marks.

19. Write is dividend decision? Explain the factors influences dividend decision of a firm.

20. Explain the methods of Capital Budgeting.

21. ABC Ltd plans to issue 1,00,000 new equity shares of Rs. 10 each at par. The floatation costs are expected to be 5% of the share price. The company pays a dividend of Rs. 1 per share and the growth rate in dividend is expected to be 5%. Compute the cost of new equity share. If the current market price is Rs. 15, compute the cost of existing equity share.

22. The earnings per share of a company is 8 and the rate of capitalization applicable is 10%. The company has before it an option of adopting

    (a) 50%,

    (b) 75% dividend payout ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of (i) 15%, (ii) 10% (iii) 5% on its retained earnings.

23. Explain the functions of finance management.

(3 × 10 = 30 Marks)
