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W – 4228

Reg. No. : ....

Name : ....

Fourth Semester B.B.A. LLB. (Five Year Integrated) Degree Examination, March 2026

Paper II: FINANCIAL MANAGEMENT

(2013 Admission onwards)

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. What is IRR?
2. Define financial management.
3. What are Zero Coupon bonds?
4. What is an Inter corporate deposit?
5. Define the term Leverage.
6. Explain Cost of Capital.
7. Expand CAPM.

(5 × 2 = 10 Marks)

PART – B

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

8. Initial investment 20,00,000. Expected annual cash flows 6, 00,000 for 10 years. Cost of Capital @ 15%. Calculate Profitability Index.
9. 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%
10. How does the objective of 'wealth maximization superior to profit maximization'?
11. Describe the various models for determining optimal level of cash.
12. Explain the scope of financial management.

(4 × 4 = 16 Marks)

P.T.O.

PART – C

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

13. What is meant by dividend? Explain the types of dividend.

14. ABC Ltd plans to issue 1,00,000 new equity shares of 10 each at par. The floatation costs are expected to be 5% of the share price. The company pays a dividend of 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 15, compute the cost of existing equity share.

15. ABC Ltd. has a capital of 10 lakhs in equity shares of 100 each. The shares currently quoted at par. The company proposes declaration of a dividend of 10 per share at the end of the current financial year. The capitalization rate for the risk class to which the company belongs is 12%. What will be the market price of the share at the end of the year, if (a) A dividend is not declared? (b) A dividend is declared?

16. State the mathematical expression of dividend growth model suggested by Gordon.

17. What is trading on equity? Is it the same as financial leverage?

18. What are the different motives for holding cash?

(4 × 6 = 24 Marks)

PART – D

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

19. What is weighted average of cost of capital? How is it related to and differ from marginal cost of capital? Illustrate the concept stating its merits and limitations.

20. Discuss the scope, objectives and functions of modern finance, on what basis the role of the modern finance manager differs from that of traditional finance manager.

21. 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.

22. Explain the long term sources of funds.

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

(3 × 10 = 30 Marks)