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Reg. No. :

Name :

**Fourth Semester B.B.A. LL.B (Five Year Integrated) Degree Examination,
February 2023**

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 ARR?
2. What is net working capital?
3. What is weighted average cost of capital?
4. What do you understand by post pay back profitability?
5. What is time value of money?
6. What is operating cycle?
7. What is capital rationing?

(5 × 2 = 10 Marks)

P.T.O.

PART – B

- II. Answer any **four** of the following questions. Each answer should not exceed 120 words. Each question carries **4** marks.
8. What are the features of financial management?
 9. Write a note on receivables management.
 10. What is dividend policy?
 11. What are the essentials of an optimal capital structure?
 12. Briefly discuss the profitability index method.

(4 × 4 = 16 Marks)

PART – C

- III. Answer any **four** of the following questions. Each question carries **6** marks.
13. What are the responsibilities of financial manager?
 14. What are the types of working capital?
 15. What are the motives for holding inventory?
 16. What is cost of capital? What are its importance?
 17. Discuss about the importance of Capital Budgeting.
 18. Assuming that a firm pays tax at 50% rate, compute the after tax cost of debt capital in the following cases:
 - (a) A perpetual bond sold at par. coupon rate of interest being 7%.
 - (b) A 10 year. 8% Rs. 1,000/- per bond sold at Rs. 950 less 4% underwriting commission.

(4 × 6 = 24 Marks)

PART – D

- IV. Answer any **three** of the following questions. Each question carries **10** marks.
19. What is working capital? What are the principles of working capital management? Also explain the approaches to working capital management.
 20. Explain the various sources of Long term funds available for an organisation.
 21. What do you mean by capital structure? What are the factors influencing capital structure?
 22. Calculate IRR from the following data.

Particulars	Amount Rs.
Initial Investment	60,000
Life of the asset	4 years
Estimated Net Annual Cash flows;	
1 st Year	15,000
2 nd Year	20,000
3 rd Year	30,000
4 th Year	20,000

23. The following is the capital structure of a company:

Source of capital	Book value	Market value
Equity shares @ Rs. 100 each	8,00,000	16,00,000
9% Cumulative Preference shares @ Rs. 100 each	2,00,000	2,40,000
11% Debentures	6,00,000	6,60,000
Retained Earnings	4,00,000	–
	20,00,000	25,00,000

The market price of the company's equity share is Rs. 200. For the last year the company had paid equity dividend at 25 percent and its dividend is likely to grow 5% every year. The corporate tax rate is 30% and shareholders personal income tax rate is 20%. You are required to calculate.

- (a) Cost of capital for each source of capital.
- (b) Weighted average cost of capital on the basis of book value weights.
- (c) Weighted average cost of capital on the basis of market value weights.

(3 × 10 = 30 Marks)

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