

(Pages : 4)

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Reg. No. :

Name :

**Fourth Semester B.B.A. LL.B. (Five Year Integrated) Degree Examination,
April 2024**

Paper II : FINANCIAL MANAGEMENT

(2013 Admission Onwards)

Time : 3 Hours

Max. Marks : 80

PART – A

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

1. List the sources of borrowed funds.
2. Give any two advantages of issuing equity shares from the point of view of a company.
3. What do you mean by financial management?
4. What is cut off rate in capital budgeting?
5. What is meant by internal rate of return in capital budgeting?
6. Explain operating cycle with regard to working capital.
7. What is hard core working capital?

(5 × 2 = 10 Marks)

P.T.O.

PART – B

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

8. Explain the scope of financial management.
9. What is pay back period? List any three advantages.
10. Define cost of capital. Differentiate between explicit cost and implicit cost.
11. What are the different types of working capital?
12. Point out the motives of keeping cash.

(4 × 4 = 16 Marks)

PART – C

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

13. From the following particulars, calculate the EOQ.
Annual requirement = 1600 units.
Cost of material per unit = Rs. 40.
Cost of placing and receiving one order Rs. 50.
Annual carrying cost of inventories = 10% of inventory value.
14. From the following, find out pay back period.

Details	Project A	Project B
Investment	Rs.10,000	Rs.10,000
Net Profit		
1 yr	1,000	2,000
2 yr	1,000	1,000
3 yr	1,000	1,000
4 yr	1,000	1,000
5 yr	2,000	1,000
Life	5 yrs	5 yrs
Scrap value	Nil	Nil

15. Explain any six functions of finance manager.
16. Give the merits and demerits of 'retained earnings' as a source of fund.
17. What is meant by the term 'time value of money'?
18. Navaratna has 10% redeemable at the end of the 10th year of its issue. The underwriting costs came to 2%. Calculate the effective cost of preference share capital.

(4 × 6 = 24 Marks)

PART – D

Answer any three of the following questions. Each question carries 10 marks.

19. Describe the objectives of financial management.
20. What are the factors determining the working capital requirement of a firm?
21. The board of directors of Kerala Ltd request you to prepare a statement showing the working capital requirements forecast for a level of activity of 1,56,000 units of production. The following information is available.

Raw materials Rs 90 per unit. Direct labour Rs 40 per unit. Overheads Rs 75 per unit. Profit Rs 60 per unit. Selling price per unit Rs 265. Raw materials are in stock on an average of one month. Materials are in process on an average of 2 weeks. Finished goods are in stock, on an average of one month. Credit allowed by suppliers one month. Time lag in payment from debtors - 2 months. Lag in payment of wages 1 ½ weeks. Lag in payment of overheads – one month. 20% of the output is sold against cash. Cash in hand and at bank is expected to be Rs 60,000. It is to be assumed that production is carried on evenly throughout the year. Wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

22. An investment of Rs 1,36,000 yields the following cash inflows (profit before depreciation but after tax). Calculate the IRR.

	Rs.
1 yr	30,000
2 yr	40,000
3 yr	60,000
4 yr	30,000
5 yr	20,000
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	1,80,000

23. The following is the capital structure and the specific after tax costs for each component.

Details	Amount (Rs.)	Cost (%)
Debt	15 lakhs	4 %
Preference shares	5 lakhs	8 %
Equity shares	10 lakhs	11 %
Retained earnings	20 lakhs	10 %
Total	<hr/>	<hr/>
	50 lakhs	

Calculate the weighted average cost of capital.

24. Explain the factors affecting the determination of dividend policy of a firm.

(3 × 10 = 30 Marks)