



Reg. No. :

Name :

**Fourth Semester B.B.A. LL.B. (Five Year Integrated) Degree
Examination, February 2018
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. **(5×2=10 Marks)**
- 1) What do you mean by profit maximization and wealth maximization ?
 - 2) What is capital rationing ?
 - 3) What is factoring ?
 - 4) What is VED analysis ?
 - 5) Name various theories of capital structure.
 - 6) What is leverage ?
 - 7) What do you mean by dividend ?

PART – B

- II. Answer **any four** of the following questions. **Each** answer should **not** exceed **120** words. **Each** question carries **4** marks. **(4×4=16 Marks)**
- 8) Write a note on cost of retained earnings.
 - 9) What are the factors that influence the dividend policy of a firm ?
 - 10) What are the various kinds of working capital management ?
 - 11) Name various tools of inventory management.
 - 12) What do you mean by perpetual inventory system ?

PART – C

- III. Answer **any four** of the following questions. **Each** question carries **6** marks. **(4×6=24 Marks)**
- 13) What is Lock Box system ? How does it help to reduce cash balance ?
 - 14) Explain the factors affecting Capital structure.



- 15) Distinguish between deposit float and Bank float.
- 16) What are the advantages of adequate working capital ?
- 17) Explain the functions of a Finance Manager.
- 18) Discuss the various forms of dividend.

PART - D

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

(3×10=30 Marks)

- 19) "Investment, Financing and Dividend decisions are all inter-related" –
Comment.
- 20) Explain various kinds of Capital budgeting decisions.
- 21) X Ltd., is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machine. Prepare a profitability statement showing the payback period from the following information :

	Machine A	Machine B
Estimated life of machine	4 years	5 years
Cost of machine	Rs. 90,000	Rs. 1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

- 22) What do you mean by receivables management ? Discuss the factors which influence receivables management.
- 23) The following information is available in respect of a firm :

Capitalization rate = 10%

Earnings per share = Rs. 50

Assumed rate of return on investments :

- i) 12% ii) 8% iii) 10%

Show the effect of dividend policy on market price of shares applying Walter's formula when dividend payout ratio is

- a) 0% b) 20% c) 40%
d) 80% e) 100%.