

Reg. No. :

Name :

**Fourth Semester B.B.A. LL.B. (Five Year Integrated) Degree
Examination, September 2016
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) Define financial management.
- 2) What is capital rationing ?
- 3) What is 'payback period' ?
- 4) What is net working capital ?
- 5) What are the requisites of optimal capital structure ?
- 6) What is weighted average cost of capital ?
- 7) Name the two concepts of 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) Explain the determinants of dividend policy.
- 9) Discuss the scope of financial management.
- 10) Explain the capital budgeting process.
- 11) Define inventory management. What are its objectives ?
- 12) Explain the traditional approach of capital structure.



PART - C

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

(4×6=24 Marks)

- 13) Explain the different types of dividend policy.
- 14) Explain the different sources of working capital.
- 15) Calculate EOQ from the following information. Also calculate the number of orders to be placed in a year.

Annual consumption 10,000 kg

Cost of placing an order Rs. 50

Cost per kg of material Rs. 2

Storage cost 8% on average inventory.

- 16) What is NPV ? State the merits and demerits of NPV technique.
- 17) Explain over capitalization and under capitalization.
- 18) What is cash management ? Explain the motives of holding cash.

PART - D

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

(3×10=30 Marks)

- 19) From the following information, calculate the net present value of two projects and suggest which of the projects should be accepted assuming a discount rate of 10%

	Project X	Project Y
Initial investment	20,000	30,000
Estimated life	5 years	5 years
Scrap value	1,000	2,000

The profits before depreciation and after taxes (cash flows) are as follows :

Years	1	2	3	4	5
Project X Rs.	5,000	10,000	10,000	3,000	2,000
Project Y Rs.	20,000	10,000	5,000	3,000	2,000



- 20) Define working capital managements. Explain its determinants.
- 21) What is cost of capital ? Explain the features and importance of cost of capital.
- 22) A company issues Rs. 1,00,000 8% debenture. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
- a) at par
 - b) at a premium of 10%
 - c) at a discount of 5%.
- 23) Define capital budgeting. Explain the importance and approaches to capital budgeting decisions.

Explain any four of the following questions. Each answer should not exceed 90 words. Each question carries _____ marks. (5×2=10 Marks)

- 1) Define financial management.
- 2) What is capital financing?
- 3) What is payback period?
- 4) What is net working capital?
- 5) What are the requisites of optimal capital structure?
- 6) What is weighted average cost of capital?
- 7) Name the two concepts of dividend.

PART - B

Answer any four of the following questions. Each answer should not exceed 120 words. Each question carries 4 marks. (4×4=16 Marks)

- 8) Explain the determinants of dividend policy.
- 9) Discuss the scope of financial management.
- 10) Explain the capital budgeting process.
- 11) Define inventory management. What are its objectives?
- 12) Explain the traditional approach of capital structure.