

Reg. No. : .....

Name : .....

**Fourth Semester B.B.A. LL.B. (FIVE YEAR INTEGRATED) Degree  
Examination, April 2022**

**Paper II : FINANCIAL MANAGEMENT**

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. What do you mean by financial management?
2. What do you mean by sweat equity?
3. Explain the term marginal cost of capital.
4. What do you mean by trading on equity?
5. What is capital budgeting?
6. What do you mean by working capital?
7. What are bonus shares?

**(5 × 2 = 10 Marks)**

**PART – B**

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

8. What is financial break even point?
9. What is cost of capital? Explain the classification of cost.
10. Explain the EBIT - EPS analysis.

P.T.O.

11. What are the different points of distinction between shares and debentures?
12. What is working capital and what are its concepts?

**(4 × 4 = 16 Marks)**

**PART – C**

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

13. Explain in detail what is meant by financial management. What are the fundamental principles of finance?
14. What are preference shares? What are the different types of preference shares?
15. Explain cost of capital? Discuss the problems in determining it.
16. What is meant by capital structure? what are the reasons for change in capitalization?
17. What is working capital? Also explain the classification of working capital.
18. Find the cost of debt capital if:
  - (a) X Ltd. Issues Rs. 50000, 8% debentures at a discount of 5%. The tax rate applicable to the company is 50%. compute the cost of debt capital.
  - (b) Y Ltd. Issues Rs. 50000, 8% debentures at a premium of 10%. The tax rate applicable to the company is 60%. compute the cost of debt capital.
  - (c) B Ltd. Issues Rs 100000, 9% debentures at a premium of 10%. The cost of floatation are 2%. The tax rate applicable to the company is 60%. compute the cost of debt capital.

**(4 × 6 = 24 Marks)**

PART – D

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

19. What is financial management and elaborate on the functional areas of financial management.
20. A Ltd. Company has equity share capital of Rs. 500000, divided into shares of Rs. 100 each. It wishes to raise further Rs.300000 for expansion plans. The company plans the following financing decisions:
- (a) All common stock
  - (b) Rs. 100000 in common stock and Rs. 200000 in debt @ 10% p.a.
  - (c) All debts at 10% pa.
  - (d) Rs. 100000 in common stock and Rs. 200000 in preference capital with the rate of dividend at 8%

The company's expected EBIT are Rs. 150000. The corporate of tax is 50%. Determine EPS in each plan and comment.

21. Explain the different factors determining working capital requirement of a firm.
22. A firm has the following capital structure and after tax costs for the different sources of funds used:

Source of fund	Amount	Proportion %	After tax cost %
Debt	450000	30	7
Preference capital	375000	25	10
Equity capital	675000	45	15

- (a) Calculate weighted average cost of capital using book value weights
- (b) The firm wishes to raise further Rs. 600000 for expansion of the project as below:

	Rs
Debt	300000
Preference capital	150000
Equity capital	150000

Assuming that specific costs do not change, compute the weighted marginal cost of capital

23. What do you mean by dividend policy and what are the major determinants of dividend policy?

**(3 × 10 = 30 Marks)**