36223

IV Semester B.B.A. Degree Examination, July/August 2023

(NEP Scheme – 2021-22)

Financial Management

Time : 2 Hours Max. Marks : 60

1. Answer the following questions.

   (a) Define Business Finance. **(2)**

   (b) Write the role of Chief Financial Officer. **(4)**

   (c) Explain the Finance Function. **(6)**

   Or

   (d) Objectives of Financial Management. **(12)**

2. Answer the following questions.

   (a) Define Time Value of Money. **(2)**

   (b) Explain the reasons for time preference for money. **(4)**

   (c) What is doubling period? Write its application. **(6)**

   Or

   (d) Mr. Madhusudhan got an offer letter from a company to invest Rs. 50,000 for 4 years. The rate of interest is 5%. What will be the future value, if the interest is calculated (i) annually (ii) half yearly and (iii) quarterly (iv) monthly. **(12)**

3. Answer the following questions.

   (a) Define Optimum Capital Structure. **(2)**

   (b) Explain the determinants of dividend policy. **(4)**

   (c) What is a debenture? Explain the various types of debentures. **(6)**

   Or

   (d) A company needs Rs. 62,50,000 for the construction of a new project. The following three plans are possible. **(12)**

      (i) The company may issue 6,25,000 equity shares of Rs. 10 per share

      (ii) The company may issue 3,12,500 equity shares of Rs. 10 per share and 31,250 debentures of Rs. 100 denomination bearing 8% rate of interest.

(iii) The company may issue 3,12,500 equity shares of Rs. 10 per share and 31,250 preference shares of Rs. 100 per share bearing 8% rate of dividend.

(1) If the company earnings before interest and tax are Rs. 1,25,000, Rs. 2,50,000, Rs. 5,00,000, Rs. 7,50,000 and Rs. 12,50,000, what are the earnings per share under each of the three financial plans. Assuming a corporate income tax rate of 40%.

(2) Which alternative would you recommend and why?

4. Answer the following questions.

(a) Define Pay Back Period. **(2)**

(b) Write a note on the capital budgeting process. **(4)**

(c) Explain the methods of capital budgeting. **(6)**

Or

(d) From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%. **(12)**

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

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

Projects	Year 1 (Rs.)	Year 2 (Rs.)	Year 3 (Rs.)	Year 4 (Rs.)	Year 5 (Rs.)
Project X	5,000	10,000	10,000	3,000	2,000
Project Y	20,000	10,000	5,000	3,000	2,000

5. Answer the following questions.

(a) Define working capital. **(2)**

(b) Explain the components of working capital. **(4)**

(c) Define current assets, current liabilities and their composition. **(6)**

Or

(d) Texas Manufacturing Company Ltd. is to start production on 1st January, 2023. The prime cost of a unit is expected to be Rs. 40 out of which Rs. 16 is for materials and Rs. 24 for labour. In addition, variable expenses per unit are expected to be Rs. 8 and fixed expenses per month Rs. 30,000. Payment for materials is to be made in the month following the purchases. One third of sales will be for cash and the rest on credit for settlement in the following month.

Expenses are payable in the month in which they are incurred. The selling price is fixed at Rs. 80/- per unit. The number of units manufactures and sold are expected to be as under. **(12)**

January	900
February	1,200
March	1,800
April	2,100
May	2,100
June	2,400

Draw up a statement showing requirements of working capital from month to month, ignoring the question of stocks.
