

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FIFTH SEMESTER – **NOVEMBER 2016**

BU 5509 – FINANCIAL MANAGEMENT

Date: 07-11-2016

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

PART - A

Answer ALL the questions.

(10x2=20 marks)

1. What do you understand by time value of money?
2. Define the term business finance.
3. Write a short note on IRR method.
4. How will you compute cost of retained earnings?
5. Write a short on indifference point.
6. Define the term working capital.
7. Calculate the compound value if Rs.10000 is invested for 4 years and the interest is compounded at 8% semi-annually.
8. A project costs Rs. 2, 50,000 and yields annual cash inflow of Rs. 50,000 for 7 years. Calculate its pay- back period.
9. Write the format of operating cycle period?
10. A firm requires total capital funds of Rs. 50 lacks all equity. The equity shares can be currently issued at Rs. 100 per share. The expected EBIT of the company is Rs. 5, 00,000 with tax rate at 40%. Find out the EPS.

PART - B

Answer any FOUR questions.

(4x10=40 marks)

11. Explain the objectives of financial management.
12. What are the objectives of capital budgeting?.
13. Describe the traditional approach to capital structure.
14. Calculate the operating leverage from the following information:
Number of units produced 50000,
Selling price per unit Rs.50
Variable cost per unit Rs.20
Fixed cost per unit at current level of sales Rs.15

15. A firm issues debentures of Rs. 1,00,000 and realizes Rs. 98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturity at the end of 10th year at par. Calculate cost of debt.

16. From the following information extracted from the books of a manufacturing company, compute the operating cycle in days: Period covered: 365 days

Average period of credit allowed by suppliers:	16 days	Rs.
Average total of debtors outstanding	4,80,000	
Raw materials consumption	44,00,000	
Total production cost	1,00,00,000	
Total cost of sales	1,05,00,000	
Sales for the year	1,60,00,000	

Value of Average stock maintained:

Raw materials	3,20,000
Work-in-progress	3,50,000
Finished goods	2,60,000

17. Explain Working Capital Management and its types.

PART - C

Answer any TWO questions.

(2x20=40 marks)

18. Explain briefly the different sources of working capital.

19. Calculate the operating leverage, financial leverage and the combined leverage for the following firms and interpret the results:

	P	Q	R
Outputs (units)	3,00,000	75,000	5,00,000
Fixed cost (Rs)	3,50,000	7,00,000	75,000
Variable cost per unit(Rs)	1	7.50	0.10
Interest expenses (Rs.)	25,000	40,000	-
Unit selling price (Rs.)	3	25	0.50

20. Anbu Co. Ltd., is considering the purchase of a new machine. Two alternative machines (X and Y) have been suggested each costing Rs. 4, 00,000. Earnings after taxation are expected to be as follows:

Year	Cash inflow	
	Machine X Rs.	Machine Y Rs.
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,00,000	1,20,000
5	1,60,000	80,000

The company has a target rate of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative is preferable. The present value of Re. 1 (to be received at the end of each year).

Year	1	2	3	4	5
PV	0.909	0.826	0.751	0.683	0.621

21. (A) The shares of a company are selling at Rs.50 per share and it had paid a dividend of Rs.5 per share last year. The investors expect a growth rate of 5% per year. If the anticipated growth in dividends is 7% p.a., calculate the indicated market price per share.

(B) Discuss the factors which influence Financial Planning.
