

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**



**B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION**

**FIFTH SEMESTER – NOVEMBER 2019**

**BU 5509 – FINANCIAL MANAGEMENT**

Date: 29-10-2019

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

**SECTION - A**

**ANSWER ALL QUESTIONS**

**(10X2=20)**

1. What are the components of finance function ?
2. Mr.Raina deposits Rs 10000 for 3 years at 10%. What is the compound value of his deposit?
3. What is Profit maximization of the firm?
4. Write down the formula for calculating Indifference point?
5. What is Trading on Equity?
6. How is Composite Leverage is measured?
7. A company's  $K_e$  is 12%. The brokerage cost for purchase of securities is 2%. The personal tax rate of shareholders is 50%. Compute the Cost of retained earnings.
8. Calculate  $K_e$  using CAPM from the following information:  $R_f$ - 10%, Beta coefficient- 1.50,  $R_m$  - 14%.
9. What is meant by 'Capital Rationing'?
10. Define the term 'Operating cycle'.

**SECTION - B**

**ANSWER ANY FOUR QUESTIONS**

**(4X10=40)**

11. Explain the relationship of fiancé functions with other corporate functions.
12. What is wealth maximization of the firm ? Why is it considered superior to other objectives of financial management.
13. The current market price of the shares of a company is Rs 30 per share. The company pays dividend of Rs 5 every year. The profits of the company expected to grow at the rate of 12% p.a and the company maintains 100% pay-out ratio. Determine the cost of equity of the company. What should be the current price of the share if the growth rate of the company is 8% and 14%.
14. Discuss the factors affecting the Capital structure of a firm.
15. Explain the short term sources of working capital finance requirements for a small and medium sized organization
16. A company was recently formed to manufacture a new product. It has the following capital structure:  
9% Debentures – Rs 1000000  
7% Preference shares – Rs 400000  
Equity Shares (48000 shares) – Rs 1600000  
Retained earnings – Rs 1000000

The Market price of Equity share is Rs 80. A dividend of Rs 8 per share is proposed. The company has marginal tax rate of 50% and shareholders individual tax rate is 25%. Compute after tax WACC of the company.

17. From the following particulars compute : Net operating cycle period, Number of operating cycles in a year & Average working capital.

Period covered : 360 days, Avg period allowed to suppliers :30 days, Avg period allowed to debtors: 45 days

Particulars	Rs
Raw materials consumed during the year	600000
Average stock of Raw materials	50000
Work-in progress inventory	500000
Average WIP inventory	30000
Finished goods inventory	800000
Average finished goods stock held	40000
Total cost of sales	840000

### SECTION - C

ANSWER ANY TWO QUESTIONS

(2X20=40)

18. The following details of ABC Ltd for the year ended 31/3/2013 are furnished : Operating leverage – 3:1, Financial leverage – 2:1 , Interest charges per annum – Rs 20 lakhs , Corporate tax rate – 50%, Variable cost as % of sales – 60%. Prepare the Income statement of the company.

19. A company has an investment opportunity costing Rs 40000 with the following expected net cash flow after taxes and before depreciation.

Year	1	2	3	4	5	6	7	8	9	10
Net cashflows Rs	7000	7000	7000	7000	7000	8000	10000	15000	10000	4000

Using 10% as the cost of capital (rate of discount), determine the following

- (i) Pay Back period
- (ii) NPV @10% discounting factor
- (iii) Profitability Index @ 10% discounting factor
- (iv) IRR with the help of 10% and 15% discounting factor.

20. The Cost sheet of a company provides the following particulars:

Elements of cost : Raw materials: 40%, Labour: 10% & Overheads : 30%

Raw Materials remain in stock	6 weeks
Processing time	4 weeks
Finished goods are in stock	5 weeks
Period of credit allowed to debtors	10 weeks
Lag in payment of wages	2 weeks
Period of credit allowed by creditors	4 weeks
Selling price	Rs 50 per unit
Production in units	13000 p.a

Prepare an estimate of Working Capital.

21. Examine the various financial decisions of a large business organization.

\*\*\*\*\*