

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FIFTH SEMESTER – NOVEMBER 2022

17/18UBU5MC02 – FINANCIAL MANAGEMENT

Date: 23-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

PART – A

Q. No Answer ALL questions

(2 x 10 = 20 Marks)

- 1 List any two objectives of Financial Management.
- 2 A simple annual interest rate of 12% compounded semi-annually is an effective yield of?
- 3 Define the Cost of Capital.
- 4 Give the formula of Cost of Equity under CAPM.
- 5 What is called an Optimum Capital Structure?
- 6 Define Point of Indifference.
- 7 List any two importance of Capital Budgeting.
- 8 Define the Payback period.
- 9 List any two long-term sources of Finance.
- 10 What is Lease Financing?

PART – B

Answer any FOUR questions

(4 x 10 = 40 Marks)

- 11 Describe the functions of the Financial Manager.
- 12 ABC Ltd issued bonds worth Rs.5, 00,000 to expand its factory. It established a sinking fund to retire this debt in three years and made deposits into it at the end of every six months. If the fund was earning 6% compounded semi-annually, calculate the size of the periodic payment deposited into the fund.
- 13 Universal Ltd wants to implement a project for which Rs. 60 lakhs is to be raised.
Plan A: Issue of 6 lakhs equity shares of Rs 10 each.
Plan B: issue of Rs 30000 (10% non-convertible debentures of Rs 100 each and issue of 3 lakhs equity shares of Rs 10 each). Assuming the corporate tax 55%. Calculate the point of difference.
- 14 An Ltd. is expecting an annual EBIT of Rs.2,00,000. The company has Rs.2,00,000 in 10% debentures. The equity capitalization rate (ke) is 12%. Measure the total value of the firm and the overall cost of capital. What happens if the company borrows Rs. 2,00,000 at 10% to repay equity capital using the Net Income Approach?
- 15 The following information is available with regard to the capital structure of Company Ltd. Calculate the Weighted Average Cost of Capital.

Capital Structure	Amount (Rs)	After-tax cost
Debentures	10,00,000	5%
Preference share capital	5,00,000	10%
Equity share capital	6,00,000	15%
Retained earnings	9,00,000	12%

- 16 Project M initially costs Rs 50000. It generates the below-mentioned cash inflow, with the cost of capital at 10%. Suggest whether the project should be accepted or not using the NPV method.

Year	Cash inflow	PV
1	18000	0.909
2	16000	0.825
3	14000	0.751
4	12000	0.683
5	10000	0.621

- 17 Explain the different sources of Long term Funds.

PART – C

Answer any TWO questions

(2 x 20 = 40 Marks)

- 18 Briefly Explain the conflicts in profit versus and Value Maximization
- 19 From the following information available for four companies, calculate -- (a) EBIT, (b) EPS, (c) Operating leverage, (d) Financial leverage.

Particulars	A	B	C	D
Selling price/unit (Rs.)	15	20	25	30
Variable Cost/unit (Rs.)	10	15	20	25
Quantity (Nos.)	20,000	25,000	30,000	40,000
Fixed Cost (Rs.)	30,000	40,000	50,000	60,000
Interest (Rs.)	15,000	25,000	35,000	40,000
Tax rate (%)	40	40	40	40
No.of equity shares	5,000	9,000	10,000	12,000

- 20 A 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: The Company has a target rate of return on capital of 10% and on this basis, you are required to compare the NPV and Profitability Index of the machines and state which alternative is Preferable. Use tables for the present values.

Year	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

- 21 Briefly explain the sources of Finance in Business.

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