



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FIFTH SEMESTER – JUNE 2015

BU 5509 - FINANCIAL MANAGEMENT

Date : 01/07/2015
Time : 10:00-01:00

Dept. No.

Max. : 100 Marks

PART – A

Answer ALL questions:

(10x2=20)

1. Define 'Business Finance'?
2. What is Capital structure?
3. What is cost of debt?
4. Explain the significance of Capital budgeting?
5. What is operating cycle?
6. What is Internal Rate of Return (IRR)?
7. Calculate the future value of Rs. 20,000 invested now for a period of 5 years at a time preference rate of 8%?
8. The equity of Mercury Ltd are traded in the Market at Rs. 90 each. The current year dividend per share is Rs. 18. The subsequent growth in dividends is expected at the rate of 6%. Calculate cost of equity capital/
9. A project costs Rs 1,00,000 and yields annual cash inflow of Rs. 20,000 for 8years. Calculate its payback period
10. Calculate working capital from the following details: fixed Assets Rs. 5,00,000; current Assets Rs. 2,00,000; current liabilities Rs. 50,000.

PART – B

Answer any FOUR questions:

(4x10=40)

11. What is finance functions? What are its objectives?
12. Examine the various techniques employed to adjust the time value of money/
13. What is meant by financial leverage? How does it magnify the revenue available shareholders?
14. American express Ltd is setting up a project with a capital outlay of Rs. 60 Lakhs. It has the following two alternatives in financing the project cost.
Alternatives 1: 100% equity finance
Alternatives 2: debt – equity ration 2:1
The rate of interest payable on the debt in 18% p.a the corporate rate of tax is 40% calculate the indifference point between two alternative method of financing
15. Vishnu steels Ltd has issued 30,000 irredeemable 14% debentures of Rs. 150 each. The cost of flotation of debentures is 5% of the total issued amount. The company's taxation rate is 40% Calculate the cost of debt.

16. A firm can invest Rs.10,000 in a project with a life of three years. The projected cash inflow are as follows:

Year	Rs.
1	4,000
2	5,000
3	4,000

The cost of capital is 10% p.a should the investment be made?

17. S.S organics Ltd expects its cost of goods for 2012-2013 to be Rs.600 lakhs. The expected operating cycle is 90 days. It wants to keep a minimum cash balance of Rs.1 lakhs. What is the expected working capital requirement (Assume 360 days in a year).

PART -C

Answer any TWO questions

(2 x 20 = 40 marks)

18. "Business finance is the activity concerned with planning raising, controlling and administering the funds used in the business" - Explain.

19. Good health Ltd has a gearing ratio of 30%. The cost of equity is computed at 21% and the cost of debt 14%. The corporate tax rate is 40%. Calculate weighted average cost of capital.

20. If the combined leverage and operating leverage figures of a company are 2.5 and 1.25 respectively, find the financial leverage and p/v ratio, given that the equity dividend per share is Rs.2 Interest payable per year is Rs.1 lakhs, total fixed cost Rs.0.5 lakhs and sales Rs.10 lakhs.

21. Rank the following projects on basis of (a) payback b) Accounting Rate of Return and c) Net present Value

Particulars	Year	A	B	C
Investment	0	30,000	30,000	30,000
Annual Cash inflows	I	13,800	36,150	-
Annual cash inflows	II	13,800	-	-
Annual cash inflows	III	13,800	-	46,827

Discount factors for years 1, 2 and 3 are 0.909; 0.826 and 0.751 respectively.

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