



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.