LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

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

FIFTH SEMESTER – **APRIL 2025**

UBU 5501 – FINANCIAL MANAGEMENT

Date: 24-04-2025 Dept. No. Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

	SECTION A - K1 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
1.	**MCQ**
a)	The Primary goal of financial Management is ______________________ (a) To maximize the return (b) To minimize the return (c) To maximize the wealth of the owners (d) To maximize profit.
b)	The abbreviation of CAPM ____________________ (a) Cost Asset Pricing Model (b) Capital Asset Pricing Model (c) Cost Annual Pricing Model (d) Capital Annual Pricing Model
c)	The Value of the firm under Net Income Approach __________________ (a) Earnings Before Income Tax - Tax (b) Earnings Before Income Tax / Value of the firm (c) Earnings After Tax / Value of the firm (d) Market value of equity + Market value of debt.
d)	Dividends are payable ________________________ (a) Monthly (b) Quarterly (c) Yearly (d) Semi-Quarterly.
e)	Give the formula for net working capital_______________ (a) CA-CL (b) CL-CA (c) Capital + Loam (d) Long Term Liability
2.	**Definitions**
a)	Financial management
b)	Cost of Capital
c)	Leverage
d)	Capital Budgeting
e)	Gross Working Capital
	SECTION A - K2 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
3.	**Match the following**
a)	Financial Management - (i) Capitalization of profit
b)	Retained Profit - (ii) (EBIT) / (EBIT - INTEREST)
c)	Financial Leverage - (iii) Management of Business funds
d)	Non Discounting-Methods - (iv) William J. Baumol's
e)	EOQ Model - (v) Payback Period

4.	**Fill in the blanks**
a)	Finance decision involves in Financing, Investment and ___________ Decision.
b)	Trading on equity is known as ___________
c)	The equity risk derived from a firm's capital structure policy is called ___________ risk.
d)	__________ Theory is known as Dividend Irrelevant Theory.
e)	Baumol ______________ Model is related to cash Management.

SECTION B - K3 (CO2)

Answer any TWO of the following in 100 words each. **(2 x 10 = 20)**

5. Enumerate the different role of financial manager.

6. Kanishka Ltd. Wants to raise Rs.3000000 by issue of new equity shares. The relevant information is given below:

No. of existing equity shares	50000
Profit after tax	Rs.300000
Market Value of existing equity shares	Rs.2000000

(i) Solve the cost of existing equity capital.

(ii) Solve the cost of new equity capital if the shares are issued at a price of Rs.35per share and the floatation cost is Rs.5 Per share.

7. The Cost of capital the rate of return on investment of M ltd. Are 10% and 18% respectively. The company has 5 lakh equity shares of rs. 10 each outstanding and earning per share are rs.20. Compute the market per share and the value of firm in the following situation. Use Walter model and comment the result. (i) No retention and (ii) 40% retention.

8. 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
Average total of debtors outstanding	Rs. 480000
Raw materials consumption	Rs. 4400000
Total Production cost	Rs. 10000000
Total Cost of sales	Rs. 10500000
Sales for the year	Rs. 1600000
Value of Average stock maintained; Raw Materials Work-in-Progress Finished goods	 Rs.320000 Rs.350000 Rs.260000

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each. **(2 x 10 = 20)**

9. Explain the objectives of Financial Management.

10. Ascertain financial leverage from the information given below:
Net worth : Rs. 2000000
Debt equity ratio: 3:1
Interest Rate = 10%
Operating profit = Rs. 1800000.

11. Analyse the factors determining dividend policy.

12.	Calculate optimum cash balance under Baumol model from the particulars given below:

Annual Cash requirement	Rs. 150000
Fixed cost per transaction	Rs. 15
Interest rate on marketable solutions	18%

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words **(1 x 20 = 20)**

13. Following information is available with regards to the capital structure of Edwards LTd:

	Amount (rs.)	After Tax Cost of capital
Debentures	1200000	5%
Preference Share capital	400000	10%
Equity Share Capital	800000	15%
Retained Earnings	1600000	12%

You are required to calculate the weighted average cost of capital (WACC).

14. Two firms R and S are identical except in the method of financing. Firm R has no debt, while firm S has Rs. 300000 8% Debentures in financing. Both the firms have a Net Operating Income (EBIT) of Rs.1,20000 and equity capitalization rate of 12%. The corporate tax rate is 35%. Calculate the value of the firm using MM approach.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words **(1 x 20 = 20)**

15. Project X has an initial investment of Rs. 500000. Its cash flows for 5 years are Rs.150000 Rs.180000, Rs.150000, Rs. 132000 and Rs.120000. Estimate the following 1) Payback period b) Discounted Payback at 10% c) NPV at a discount rate of 10%

16. From the following information, prepare a statement showing the estimated working capital requirements:
Budgeted Sales = Rs. 260000 p.a.
Analysis of cost and profit of each unit.

Rawmaterials-	Rs 3
Labour-	Rs 4
Overheads-	Rs 2
Profit-	Rs 1
Selling Price Per Unit	Rs 10

It is the estimated that
(a) Pending use, raw materials are carried in stock for three weeks and finished goods for two weeks.
(b) Factory processing will take 3 weeks.
(c) Suppliers will give five weeks credit and customers will require eight weeks credit.
It may be assumed that production and overheads accrue evenly throughout the year.

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