



# LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

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

**FIFTH SEMESTER – NOVEMBER 2024**

**UBU 5501 FINANCIAL MANAGEMENT**



Date: 07-11-2024

Dept. No.

Max. : 100 Marks

Time: 09:00 am-12:00 pm

## SECTION A - K1 (CO1)

**Answer ALL the Questions**

**(10 x 1 = 10)**

### 1. Definitions

- Financial Management
- Cost of Capital
- Optimum Capital Structure
- Dividend
- Working Capital

### 2. True or False

- The main goal of financial management decisions is to maximize the price of the firms stock.
- Compounding is a tool of Time value.
- It is necessary for a firm to have Preference dividend.
- Walter and Gordon model are the used to determine the market price of the shares.
- Is Permanent working capital is a type of Working Capital.

## SECTION A - K2 (CO1)

**Answer ALL the Questions**

**(10 x 1 = 10)**

### 3. Fill in the blanks

- Future value is given by the formula \_\_\_\_\_.
- Earnings per Share is given by the formula \_\_\_\_\_.
- Cost of preference debt is given by the formula \_\_\_\_\_.
- IRR is given by \_\_\_\_\_ formula.
- ARR is given by the formula \_\_\_\_\_.

### 4. Answer the following MCQ

- The concept of Financial management is a) All Features of obtaining financial Resources. b) Organization of Funds c) None of the above d) a & b.
- Cost of Equity is given by the formula 1)  $K_e = D/MP$  b)  $K_e = D/NP$  c)  $K_e = EPS/MP$  d) All the above
- Full form of CAPM a) Capital Asset Pricing Model b) Capital Associates Pricing Model c) Capital Asset Printing Model d) Chennai Asset Pricing Model
- Working Capital is used for a) Handling Day to operations expenses b) Managers expenses c) Borrowing Expenses d) All the above
- What is Operating Cycle?** a) Operating a Physical Cycle ) Financial audits c) Benchmarking d) a financial metric that measures the time it takes a company to convert its investments into cash)

## SECTION B - K3 (CO2)

**Answer any TWO of the following in 100 words each.**

**(2 x 10 = 20)**

- Explain the scope of Financial Management.
- Describe the components of Capital Structure.
- The following key information pertains to Ashika Ltd. for the year 2023-24  
Sales – Rs 82.50  
Variable Cost-Rs 46.20  
Fixed Cost-Rs 6.60  
9% Debentures- Rs 50.00

Equity Shares (₹ 100 each)- Rs 60  
Corporate Tax 35%. Calculate the company's ROI?

8. Project AX initially costs Rs 60000. It generates the below-mentioned cash inflow, with the cost of capital as 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

#### SECTION C – K4 (CO3)

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

9. Explain the Importance of Financial Manager.
10. Austin Ltd wants to implement a project for which Rs. 60 lakhs are to be raised.  
Plan A: Issue of 6 lakhs equity shares of Rs 10 each.  
Plan B: issue of Rs 40000 (10% non-convertible debentures of Rs 100 each and issue of 2 lakhs equity shares of Rs 10 each. Assuming the corporate tax 50%. Calculate the point of difference.
11. Briefly explain Net Income and Net Operating Approach in capital structure theory.
12. Discuss the significance of Working Capital Management.

#### SECTION D – K5 (CO4)

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

13. Briefly explain the concepts in Time value of Money.
14. 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 Payback 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

#### SECTION E – K6 (CO5)

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

15. The following data is available for Parkson company  
Earnings per share = Rs. 3/-; Internal rate of return = 15%; Cost of capital = 12%.  
If Walter's valuation formula holds what will be the price per share. If dividend payout ratio is 50%; 75% & 100%
16. Briefly discuss the types of Working Capital.

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