LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIFTH SEMESTER – **APRIL 2019**

16UBU5MC02– FINANCIAL MANAGEMENT

Date: 16-04-2019	Dept. No.	Max. : 100 Marks
Time: 09:00-12:00		

SECTION A

ANSWER ALL THE QUESTIONS: (10X2=20Marks)

1. Define Financial Management.
2. Write short notes on Time Value of Money.
3. What is Net Operating Income?
4. State the reasons for overcapitalization.
5. What is operating leverage?
6. How to compute cost of retained earning?
7. What are the factors to be considered in deciding the capital budgeting decisions?
8. List the advantages of NPV.
9. What is Debt Securitization?
10. Who are venture capitalists?

SECTION-B

ANSWER ANY FOUR QUESTIONS: (4X10=40 Marks)

11. Describe the role of Chief Financial Officer of an organisation.
12. A company wants to raise Rs.2, 50,000 as additional capital. It has two mutually exclusively alternative financial plans. The current EBIT is Rs.8, 50,000 which is likely to remain unchanged. The following information is available :

    Present Capital Structure: 1, 50,000 equity shares of Rs.10 each and 10% bonds of Rs.10, 00,000.

    Tax Rate 50%, Current EBIT: Rs.8, 50,000.

    Current EPS: Rs.2.50, Current Market Price Rs.25,

    Financial Plan I: 10,000 equity shares of Rs.25 each

    Financial Plan II: 12% Debentures of Rs.2, 50,000.

Calculate the point of indifference.

13. A firm has a sale of Rs.15, 00,000, Variable Cost of Rs.9, 00,000, Fixed Cost of Rs.3, 00,000. Debt capital of Rs.8,00,000@8%
    a. Calculate the operating, Financial and Combined Leverage
    b. If the firm decides to double its EBIT, by how many percentages it has to increase its sales?
14. A company issued 50,000, 10% debentures of Rs.100 each redeemable in ten years time at 10% premium. The of cost of issue was 2.5%. The Company's income tax rate is 35%. Determine the cost of Debt before and after tax, if they are redeemed at a premium.
15. B and Co's cost of capital is 10% and it is subject to 50% tax rate. The company is considering buying a new finishing machine. The machine will cost Rs.4Lakhs and reduce material waste by an estimated amount of Rs.1, 00,000 a year. The machine will last for 10 years and will have zero salvage value. Assume straight line method of depreciation. Compute cash inflows and profitability index.

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16. What are the advantages of equity share capital?
17. Discuss the various sources of international financing.

SECTION-C

ANSWER ANY TWO QUESTIONS: **(2 X 20= 40 Marks)**

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18. Discuss the objectives of Financial Management.
19. The following is the capital structure of a company:

• 9% Debentures	10,00,000
• 7% Preference Share Capital	4,00,000
• Equity Shares(48,000 shares)	16,00,000
• Retained Earnings	10,00,000

The market price of equity share is Rs.80, A Dividend of Rs.8 per share is proposed. The company is marginal tax rate of 50%and shareholders individual tax rate is 25%. Compute the After Tax Weighted Average Cost of Capital.

20. A company is considering two mutually exclusive projects. Both require an initial cash outlay of Rs.10, 000, each of which will have a life of 5 years. The company's cost of capital is 10% and the company is in tax rate of 50%.The projects will be depreciated on straight line method. The profit expected :

~~20.~~

Year	1	2	3	4	5
Project P	Rs.4000	4000	4000	4000	4000
Project Q	Rs.6000	3000	2000	5000	5000

Calculate Payback period, accounting Rate of Return, NPV, IRR and Profitability index.

21. Explain the various sources of raising long term funds.

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