



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FIFTH SEMESTER – NOVEMBER 2022

UBU 5501 – FINANCIAL MANAGEMENT

Date: 21-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

PART-A

Answer all the Questions:

(10*2 = 20 Marks)

- 1) Define Financial Management.
- 2) Give the meaning of Doubling Period.
- 3) What is meant by average cost of capital?
- 4) Mention any two significance of Capital budgeting.
- 5) What is combined leverage?
- 6) What is Capitalisation?
- 7) Define Dividend.
- 8) List any two factors influencing capital budgeting decisions.
- 9) What is Net Working Capital?
- 10) State any two objectives of Cash management.

PART-B

Answer any four Questions:

(4*10 = 40 Marks)

- 11) Explain the role of a finance manager.
- 12) Discuss the objectives of financial management.
- 13) Your company's share is quoted in the market at Rs. 20 currently. The company pays a dividend of Rs. 1 per share and the investors expect a growth rate of 5% per year. You are required to compute:
 - (i) The company's cost of equity capital.
 - (ii) If the company's cost of capital is 8% and the anticipated growth rate is 5% p.a, Calculate the market price if the dividend of Re.1 per share is to be maintained.
- 14) Describe the factors that determine the capital structure of a company.
- 15) The capital structure of a company consists of the following securities:

10% Preference share capital	Rs. 1, 00,000
Equity share capital (Rs. 10 per share)	1, 00,000

The amount of operating profit is Rs. 60,000. The company is in 50% tax bracket.
You are required to calculate the financial leverage of the company.
What would be New Financial Leverage if the operating profit increases to Rs. 90,000?
- 16) Explain the factors affecting the dividend policy of the firm.

17) From the following information, extracted from the books of a manufacturing company, compute the operating cycle in days and the amount of working capital required:

Period covered	365 days
Average period of credit allowed by suppliers	16 days
Average total of debtors outstanding	4,80,000
Raw material consumption	4,40,000
Total production cost	1,00,00,000
Total cost of sales	1,05,00,000
Sales for the year	1,60,00,000
Value of average stock maintained:	
Raw material	3,20,000
Work-in-progress	3,50,000
Finished goods	2,60,000

Part-C

Answer any two Questions:

(2*20 = 40 Marks)

18) Explain the techniques of "Time Value Money".

19) X Ltd is considering investing in a project requiring a capital outlay of Rs.8, 00,000. Forecast for annual net incomes after depreciation but before tax are as follows:

Year	1	2	3	4	5
Profit (Rs.)	4,00,000	4,00,000	3,20,000	3,20,000	1,60,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.

You are required to evaluate the project according to each of the following methods:

a) Payback method b) Rate of return on original investment method c) Rate of return on average investment method d) NPV method taking cost of capital as 10%; e) P.I. method; f) Internal rate of return method (Lower Rate-10%, High Rate-40%).

Year	1	2	3	4	5
10%	0.909	0.826	0.751	0.683	0.621
40%	0.735	0.541	0.398	0.292	0.215

20) Adhi Ltd. has equity share capital of Rs. 12, 00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 6, 00,000 for expansion-cum-modernisation scheme. The company plans the following financing alternatives:

Plan A – By issuing equity shares only.

Plan B – Rs. 2, 00,000 by issuing equity shares and Rs. 4, 00,000 through debentures @ 10 % p.a.

Plan C – Rs. 2,00,000 by issuing equity shares and Rs. 4,00,000 by issuing 9% preference shares.

Plan D – By raising term loan only at 10% p.a.

You are required to suggest the best alternative giving your comment assuming that the estimated EBIT after expansion is Rs. 2, 25,000 and corporate rate of tax is 40%.

21) Explain the factors affecting the working capital of the firm.

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