

C 21207

(Pages : 4)

Name.....

Reg. No.....

**FOURTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION  
APRIL 2022**

B.B.A.

BBA IVB 06—FINANCIAL MANAGEMENT

(2014—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

**Part A**I. Objective Type Questions. Answer all *ten* questions. Each question carries 1 mark :

(A) Fill up the blanks :

- 1 WACC stands for \_\_\_\_\_.
- 2 \_\_\_\_\_ is defined as the possibility of the actual return being different from the expected return on an investment over the period of investment.
- 3 The term \_\_\_\_\_ profit refers to the figure of profit as determined by the Income statement or Profit and Loss Account.
- 4 Implicit cost is also known as \_\_\_\_\_.
- 5 Financial leverage deals with the \_\_\_\_\_ risk of the firm.

(B) State whether the following statements are True or False :

- 6 Dividend decisions relate to the selection of assets in which funds will be invested by a firm.
- 7 According to traditional approach, profit maximisation is the main objective of financial management.
- 8 Maximizing risk is the basic objective of diversification.
- 9 EPS stands for Earnings Per Savings.
- 10 Marginal cost of capital is the cost of additional funds.

(10 × 1 = 10 marks)

**Turn over**

**Part B**

II. Short Answer Questions. Answer any *eight* questions from ten in two *or* three sentences each.

Each question carries 2 marks :

- 11 What is the difference between gross working capital and net working capital ?
- 12 What do you mean by sweat equity ?
- 13 What is Re-order level ?
- 14 What is fixed capital ?
- 15 What is economic order quantity ?
- 16 What do you mean by property dividends ?
- 17 A company issues 10,000 10 % preference shares of Rs. 100 each. Cost of issue is Rs.2 per share. Calculate cost of preference share capital.
- 18 A project cost Rs. 2,00,000 and yields an annual cash inflow of Rs. 20,000 for 15 years, calculate payback period.
- 19 ABC Ltd has annual sales of 4000 units. The selling price per unit is Rs. 800. Variable cost per unit is Rs. 200. Fixed cost amounted to Rs. 4,00,000. Calculate operating leverage.
- 20 X Ltd. issued Rs. 2,00,000 8 % debentures at a premium of 10%. The floatation cost are 2 %. The tax rate is 50 %. Compute the after-tax cost of debt.

(8 × 2 = 16 marks)

**Part C**

III. Short Essay or Paragraph questions. Answer any *six* questions from eight in 150 or 200 words.

Each question carries 4 marks :

- 21 Discuss the various steps involved in capital budgeting process.
- 22 List out the importance of financial management.
- 23 List out the advantages and limitations of payback period method.

- 24 List out any *four* factors that determine cost of capital.
- 25 A firm expects a sale of 90,000 units, which it purchased for Rs. 3 per unit. The order cost is Rs. 300 and the firm's carrying cost is Rs. 6 per unit. What is the Economic Order Quantity ?
- 26 XYZ Limited earns Rs. 5 per share, is capitalized at a rate of 10 % and has a rate of return on investments of 18 %. According the Walter's Formula, what should be the price per share at 25 % dividend pay-out ratio ?
27. A company issues 10,000, 10 % preference shares of Rs. 100 each. Cost of issue is Rs. 2 per share. Calculate cost of preference share capital if these shares are issued (a) At par ; (b) At a premium of 10 % ; and (c) at a discount of 5 %.
- 28 Sun Ltd. Provides the following information :

		Rs.
Cash sales during the year	...	3,00,000
Credit sales during the year	...	5,40,000
Returns inward	...	40,000
Trade debtors in the beginning	...	1,10,000
Trade debtors at the end	...	90,000
Provision for bad and doubtful debts	...	10,000

Calculate Debtor's Turnover Ratio and Average Collection Period.

(6 × 4 = 24 marks)

#### Part D

- IV. Essay Questions. Answer any *two* questions in 600 to 800 words each. Each question carries 15 marks :
- 29 What do you mean by working capital ? Explain various sources of working capital.
- 30 What is factoring ? Explain the various types of factoring. What are its advantages and limitations ?

Turn over

31. The following information is available in respect of a product :

(a) Units sold	60,000
(b) Selling price per unit	Rs. 12
(c) Fixed cost	Rs. 60,000
(d) Variable cost per unit	Rs. 6
(e) 10 % debt capital	Rs. 1,20,000

Calculate all types of leverages.

(2 × 15 = 30 marks)

C 21207-A

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**FOURTH SEMESTER (CUCBCSS-UG) DEGREE EXAMINATION, APRIL 2022**

B.B.A.

BBA IVB 06—FINANCIAL MANAGEMENT

(2014—2018 Admissions)

(Multiple Choice Questions for SDE Candidates)

**Time : 15 Minutes****Total No. of Questions : 20****Maximum : 20 Marks****INSTRUCTIONS TO THE CANDIDATE**

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

## BBA IVB 06—FINANCIAL MANAGEMENT

(Multiple Choice Questions for SDE Candidates)

1. Financial decision involve :
  - (A) Investment, financing and dividend decision.
  - (B) Investment, financing and sales decision.
  - (C) Financing, dividend and cash decision.
  - (D) None of these.
2. Debt to Total Assets Ratio can be improved by :
  - (A) Borrowing More.
  - (B) Issue of Debentures.
  - (C) Issue of Equity Shares.
  - (D) Redemption of Debt.
3. In order to calculate Weighted Average Cost of weights may be based on :
  - (A) Market Values.
  - (B) Target Values.
  - (C) Book Values.
  - (D) All of the above.
4. Which of the following is studied with the help of financial leverage ?
  - (A) Marketing Risk.
  - (B) Interest Rate Risk.
  - (C) Foreign Exchange Risk.
  - (D) Financing risk.
5. Financial Leverage arises because of :
  - (A) Fixed cost of production.
  - (B) Variable cost.
  - (C) Interest Cost.
  - (D) None of the above.
6. In MM Model with taxes, where ' $r$ ' is the interest rate, ' $D$ ' is the total debt and ' $t$ ' is tax rate, then present valued shields would be :
  - (A)  $r \times D \times t$ .
  - (B)  $r \times D$ .
  - (C)  $D \times t$ .
  - (D)  $(D \times r)/(1 - t)$ .
7. 'Bird in hand' argument is given by :
  - (A) Walker's Model.
  - (B) Gordon's Model.
  - (C) MM mode.
  - (D) Residuals theory.

8. Which of the following is not true for MM Model ?
- (A) Share price goes up if dividend is paid.
  - (B) Share price goes down if dividend is not paid.
  - (C) Market value is unaffected by Dividend policy.
  - (D) All of the above.
9. MM Model argues that dividend is irrelevant as :
- (A) The value of the firm depends upon earning power.
  - (B) The investors buy shares for capital gain.
  - (C) Dividend is payable after deciding the retained earnings.
  - (D) Dividend is a small amount.
10. In case of Gordon's Model, the MP for zero payout is zero. It means that :
- (A) Shares are not traded.
  - (B) Shares available free of cost.
  - (C) Investors are not ready to offer any price.
  - (D) None of the above.
11. Dividend Payout Ratio is :
- (A)  $PAT \div \text{Capital}$ .
  - (B)  $DPS \div \text{EPS}$ .
  - (C)  $\text{Pref. Dividend} \div \text{PAT}$ .
  - (D)  $\text{Pref. Dividend} \div \text{Equity Dividend}$ .
12. Cheques deposited in bank may not be available for immediate use due to :
- (A) Payment Float.
  - (B) Receipt Float.
  - (C) Net Float.
  - (D) Playing the Float.
13. The Transaction Motive for holding cash is for :
- (A) Safety Cushion.
  - (B) Daily Operation.
  - (C) Purchase of Assets.
  - (D) Payment of Dividends.

Turn over

14. Which of the following is not an objective of cash management ?
- (A) Maximization of cash balance. (B) Minimization of cash balance.  
(C) Optimization of cash balance. (D) Zero cash balance.
15. If the closing balance of receivables is less than the opening balance for a month then which one is true out of :
- (A) Collections > Current Purchases. (B) Collections > Current Sales.  
(C) Collections < Current Purchases. (D) Collections < Current Sales.
16. 80% of sales of ₹ 10,00,000 of a firm are on credit. It has a Receivable Turnover of 8. What is the Average collection period (360 days a year) and Average Debtors of the firm ?
- (A) 45 days and ₹ 1,00,000. (B) 360 days and ₹ 1,00,000.  
(C) 45 days and ₹ 8,00,000. (D) 360 days and ₹ 1,25,000.
17. If a company sells its receivable to another party to raise funds, it is known as :
- (A) Securitization. (B) Factoring.  
(C) Pledging. (D) None of the above.
18. Under income-tax provisions, depreciation on lease asset is allowed to :
- (A) Lessor. (B) Lessee.  
(C) Any of the two. (D) None of the two.
19. One difference between Operating and Financial lease is :
- (A) There is often an option to buy in operating lease.  
(B) There is often a call option in financial lease.  
(C) An operating lease is generally cancelable by lease.  
(D) A financial lease is generally cancelable by lease.
20. Which of the following is not true for a "Lease decision for the lessee ?
- (A) Helps in project selection. (B) Helps in project financing.  
(C) Helps in project location. (D) All of the above.