

C 4401

B.B.A. (Three Year) DEGREE EXAMINATION, MARCH/APRIL 2017.

End Semester Examination

Fourth Semester

Part – II

FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 70

PART — A

Answer any FIVE of the following questions. **(5 × 4 = 20 Marks)**

1. Profit maximisation.
2. Capital rationing.
3. Financial leverage.
4. Working capital gap.
5. Dividend policy.
6. Capital budgeting process.
7. EBIT analysis.
8. Factoring service.

PART — B

Answer ALL the following questions. **(5 × 10 = 50 Marks)**

UNIT I

9. (a) What are the financial decisions that a financial manager has to take for maximizing the wealth of shareholders?

Or

- (b) What is financial planning? Explain the significance and steps involved in financial planning.

Turn Over

UNIT II

10. (a) Discuss the techniques of evaluating alternative investment projects.

Or

- (b) A firm whose cost of capital is 10% is considering two mutually exclusive projects 'X' and 'Y' the details of which are

Cash flows

Year	Project 'X' (Rs.)	Project 'Y' (Rs.)
0	70,000	70,000
1	10,000	50,000
2	20,000	40,000
3	30,000	20,000
4	45,000	10,000
5	60,000	10,000

Compute NPV profitability index and IRR for the two projects.

UNIT III

11. (a) Explain the components and determinants of working capital.

Or

- (b) What is TQM and explain its role in inventory management?

UNIT IV

12. (a) Define capital structure and explain the factors affecting the capital structure of a firm.

Or

- (b) Calculate the degree of operating leverage (DOL), degree of financial leverage (DFL), and the degree of combined leverage (DCL) for the following firms.

Particulars	Firm X	Firm Y	Firm Z
Output (Units)	60,000	15,000	10,000
Fixed cost (Rs.)	7,000	14,000	1,500
Variable cost per unit (Rs.)	0.20	1.50	0.02
Interest on borrowed funds (Rs.)	4,000	8,000	–
Selling price per unit (Rs.)	0.60	5.00	0.10

UNIT V

13. (a) Explain the assumptions and arguments used by Modigliani and Miller in support of the irrelevance of dividends.

Or

- (b) What are the main determinants of a dividend policy? Why do companies pay dividends? Explain.
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