

C-4401

B.B.A. (Three Year) DEGREE EXAMINATION, MARCH/APRIL 2018.

End Semester Examination

Fourth Semester

Part II

(Regular / Supplementary)

FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 70

PART — A

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

1. Importance of Financial Management.
2. EBIT-EPS Analysis.
3. Difference between Preference shares and Equity shares.
4. Operating Leverage.
5. Need of working capital.
6. Pay back period.
7. Opportunity cost.
8. Sources of finance.

PART — B

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

9. (a) Explain the evolution of finance function. What is the scope of finance function?

Or

- (b) Explain about profit maximisation and wealth maximisation.

Turn Over

10. (a) What do you mean by Investment decision? Also state the importance and difficulties regarding it.

Or

- (b) A project needs a capital outlay of Rs. 1,38,500. The cost of capital is 12%. The net cash flows are as under

Year	Rs.
1	30,000
2	40,000
3	60,000
4	30,000
5	20,000

You are required to calculate NPV and IRR. Suggest whether the project should accepted (or) not and why?

11. (a) Explain the estimation of working capital requirement of a firm.

Or

- (b) Explain the classification of working capital. Distinguish between permanent and temporary working capital.

12. (a) What is weighted average cost of capital? How it is calculated and explain with an example?

Or

- (b) A firm issues debentures of Rs. 1,00,000 and realizes Rs. 98,000 after allowing 2% commission of brokers. The debentures carry an interest rate of 10%/ The debentures are due for maturity at the end of the 10th year. You are required to calculate the effective cost of debt before tax.

13. (a) Given the following information about ZED Ltd., show the effect of the dividend policy on the market price of its shares, using the Walter's model.

Equity Capitalization rate (K_e) = 12%

Earnings per share (E) = Rs. 8

Assumed return on investments (r) are as follows :

(i) $r = 15\%$, (ii) $r = 10\%$.

Or

- (b) Define 'dividend'? What are the major forms of dividend?