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Reg. No. [ ]

IV Semester B.B.A. Degree Examination, September - 2021

BUSINESS ADMINISTRATION

PAPER - 4.4 : Financial Management

(CBCS (Old) Scheme 2014-15)

Time : 3 Hours **Maximum Marks : 70**

Instructions to the Candidates:

1) Answers should be Completely written in English only.

SECTION - A

Answer any Five sub-questions. Each sub-question carries 2 marks. **(5×2=10)**

1. a) What is meant by Financial Management?
   b) State the two techniques used to understand the concept of time value of money.
   c) What is Operating Leverage?
   d) Define capital Budgeting.
   e) Mention three Discounted cash flow methods of evaluating capital investment.
   f) What is cash dividend?
   g) What is Net working Capital.

SECTION - B

Answer any THREE questions of the following. Each question carries 6 marks. **(3×6=18)**

2. State any six functions of Finance manager.
3. Calculate the future value of an amount of Rs.8,000 deposited in a bank for a period of 6 years at the rate of 12% interest.
4. State the merits of payback period method.
5. From the following data, Calculate operating, Financial and combined Leverage

   Interest Rs.10,000

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Sales 15,000 units @ Rs.10 per unit.

Variable cost Rs.4 per unit

Fixed cost Rs.20,000

6. The initial cash outlay of a project is Rs.1,00,000 and it generates cash inflows of Rs.40,000. Rs.30,000, Rs.50,000 and Rs.20,000. Assume a 10% rate of discount. Calculate profitability index.

Year	Discount factor at 10%
1	0.909
2	0.826
3	0.751
4	0.683

SECTION - C

Answer any THREE of the following questions. Each question carries 14 marks. (3×14=42)

7. Explain in detail the determinants of Dividend Policy.
8. Explain the factors influencing working capital.
9. Explain the factors influencing the capital Budgeting?
10. Shanmugam Company is considering to purchase a machine Two machines are available X and Y each costing Rs.50,000. Earning after taxation are expected to be as follows:

	Estimated cash flows	
Year	Machine X	Machine Y
	Rs.	Rs.
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Evaluate the two alternatives according to

a) Payback method

b) Accounting Rate of Return Method

c) Net present value method (Cost of capital 10%)

Assume straight line method of depreciation.

The discount factor is as under:

Year	Discount Factor
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

11. Anandi Company has EBIT of Rs.4,80,000 and its capital structure consists of the following securities:

Equity share capital (Rs.100 each) Rs.4,00,000

12% Preference shares Rs.6,00,000

14.5% Debentures Rs.10,00,000

The company is facing fluctuations in its sales. What would be the change in EPS.

a) If EBIT of the company increases by 25% &

b) Decreases by 20%

The Corporate tax is 35%.