LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

FIFTH SEMESTER – **APRIL 2023**

UBU 5501 – FINANCIAL MANAGEMENT

Date: 09-05-2023 Dept. No. Max. : 100 Marks
Time: 01:00 PM - 04:00 PM

Part A

Answer ALL the Questions (10*2=20)

1. Define “Financial Management”.
2. Calculate the future value of Rs.40,000 invested now for the period of 4 years at a time preference rate of 10%.
3. List any two factors determining Cost of Capital.
4. How will you compute the Cost of Debt Capital?
5. What do you mean by optimum capital Structure?
6. What is Composite Leverage?
7. List any two objectives of Capital Budgeting.
8. What is meant by Retention Ratio?
9. Define operating Cycle.
10. State the meaning of Cash.

Part B

Answer any FOUR Questions (4*10 = 40)

11. Discuss the methods and tools of Financial Management.
12. What are the functions of a Financial Manager?
13. Jeeva Co Ltd wants to raise Rs.30,00,000 by issue of new equity shares.
    The relevant information is given below:

No.of existing equity shares	50,000
Profit after tax	Rs.3,00,000
Market value of existing equity shares	Rs. 20,00,000

    (a) Compute the cost of existing equity Capital.
    (b) Compute the cost of new equity capital if the shares are issued at a price of Rs.35 per share and the flotation cost is Rs. 5 per share.
14. Chand Ltd., a widely held company is considering a major expansion of its production facilities and the following finaning alternatives are available
    Alternatives(Rs.in lakh)

`	X	Y	Z
Equity share capital (Rs.10 each)	60	30	10
12% Debentures	-	20	25
15% Loan from a financial institution	-	10	25

Expected rate of return before tax is 20%. The rate of dividend of the company is not less than 18%. The company at present has low debt. Corporate taxation is 35%. Which of the alternatives you would choose?

15. Project M has an initial investment of Rs. 3 lakh. Its cash flows for five years are Rs. 90,000, Rs. 1,08,000, Rs. 90,000, Rs. 79,200 and Rs. 72,000. Determine the discounted payback period assuming a discount rate of 10% p.a.

Year	1	2	3	4	5
PV	0.909	0.826	0.751	0.683	0.621

16. From the following pariculars,calculate operating leverage,financial leverage and combined leverage:

Sales	Rs. 1,20,000	Variable Cost	Rs.72,000
Interest	Rs.12,000	Fixed Cost	Rs.18,000

17. Discuss the significance of Working Capital in a Firm.

Part C

Answer any TWO Questions (2*20 = 40)

18. Explain the methods of Time Value of money.
19. Pradeep Ltd. needs Rs. 10, 00,000 for installation of a new factory which would yield an annual EBIT of Rs. 1, 80,000. The company has the objective of maximizing the earnings per share. It is considering the possibility of issuing equity shares plus raising debt of Rs. 1, 50,000, Rs. 4, 50,000 or Rs. 7, 50,000. The current market price per share is Rs. 25 which is expected to drop to Rs. 20 per share if the market borrowings were to exceed Rs. 6, 00,000. Cost of borrowings are indicated as under:

   Upto Rs. 2, 00,000 8% per annum
   Between Rs. 2, 00,001 and Rs. 5, 00,000 10% per annum
   Between Rs. 5, 00,001 and Rs. 7, 50,000 12% per annum

   Assuming the tax rate to be 40%, work out the EPS and the scheme which would meet the objective of the management.

20. Asha Co.Ltd., is considering the purchase of a new machine. Two alternative machines (X and Y) have been suggested each costing Rs. 4,00,000. Earnings after taxation are expected to be as follows:

Year	Cash Flow	
	Machine X	Machine Y
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,00,000	1,60,000
5	1,60,000	80,000

The company has a target rate of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative is preferable.

The present value of Re. 1 (to be received at the end of each year).

Year	1	2	3	4	5
PV	0.909	0.826	0.751	0.683	0.621

21. Explain the factors that influence the dividend policy of a firm.

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