LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

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

FIFTH SEMESTER – **JULY 2025**

UBU 5501 – FINANCIAL MANAGEMENT

Date: 11-07-2025 Dept. No. Max. : 100 Marks

Time: 10:00 AM - 01:00 PM

	SECTION A - K1 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
1.	**Definitions**
a)	Sinking Fund
b)	WACC
c)	Over capitalization
d)	Retention Ratio
e)	Net Working Capital
2.	**True or False**
a)	Rule 72 is one of the method under doubling period for investment
b)	Discounting refers to ascertainment of PV of money
c)	Implicit cost is also known as Opportunity cost.
d)	Gordon model is known as Theory of relevance model of Dividend.
e)	Gross working capital refers to the amount of fund invested in fixed assets.
	SECTION A - K2 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
3.	**Fill in the blanks**
a)	FV of annuity is given by the formula _________.
b)	Indifference point is given by the formula_________.
c)	Cost of Equity under CAPM is given by the formula________________.
d)	Financial Leverage is given by ___________________ formula.
e)	Profitability Index is given by the formula ________.
4.	**Answer the following MCQ**
a)	Modern concept of Financial decision includes (a) Investment. b) Dividend (c) Financing (d) All of the above
b)	PV of at 12 % p.a for 2^{nd} year will be (a) 0.893 (b) 0.797 (c) 0.712 (d) 0.636
c)	Trading on equity is otherwise known as (a) Operating Leverage (b) Financial Leverage (c) Combined Leverage (d) Arbitrage
d)	When r < k then the firm in dividend policy is known as (a) Growth firm (b) Normal firm (c) Declining firm (d) capitalized firm
e)	If Annual cash operating expenses is Rs 150 lakh and Number of operating cycles in a year is 3 cycles, find out the Average Working Capital (a) 25 lakh (b) 30 lakh (c) 50 lakh (d) 75 lakh

SECTION B - K3 (CO2)	
Answer any TWO of the following in 100 words each.	**(2 x 10 = 20)**
5.	Explain the functions of a Finance Manager.
6.	Describe the factors affecting the Cost of Capital.
7.	A firm has sales of Rs 2000000, variable cost of Rs 1400000, fixed cost of Rs 400000 and a debt of Rs 1000000 at 10%. Calculate its Operating, financial and combined leverages. If the firm decides to double its EBIT, how much of a rise in sales would be needed on a percentage basis.
8.	The EPS of the company are Rs 10. The rate of capitalization is 10% and the retained earnings can be employed to yield a return of 20%. The Company is considering a payout of 20% and 60%. Which of these would maximize the wealth of the shareholders as per Walters model of dividend policy.

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each. **(2 x 10 = 20)**

9. Explain the objectives of Financial Management.

10. From the following particulars relating to the capital structure of Raj Ltd, Calculate the WACC using Book value and Market value weights method. The after-tax cost of different sources of finance is : Equity share capital 14%, Retained earnings 13%, PSC 10% & Debentures 8%.

Sources of Funds	Book Value (Rs)	Market Value (Rs)
Equity Share Capital	45000	90000
Retained Earnings	15000	-
Preference share Capital	10000	10000
Debentures	30000	30000

11. Briefly explain the factors affecting dividend decisions of a firm.

12. Discuss the advantages of adequate Working Capital.

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words **(1 x 20 = 20)**

13. Briefly explain the techniques of Time value of Money.

14. John Ltd has equity share capital of Rs 1200000 divided into shares of Rs 100 each. It wishes to raise further Rs 600000 for its expansion scheme. The company plans the following financing alternatives:
Plan A – By issuing Equity shares only
Plan B – Rs 200000 by issuing equity shares and Rs 400000 through debentures @10% p.a
Plan C – Rs 200000 by issuing equity shares and Rs 400000 by issuing 9% preference shares
Plan D – By raising term loan only at 10% p.a.
You are required to suggest the best alternative giving your comment on assuming that the estimated EBIT after expansion is Rs 225000 and corporate rate of tax is 40%.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words **(1 x 20 = 20)**

15. A company has an investment opportunity costing Rs 40000 with the following expected net cash flow (after tax and before depreciation) :

Year	1	2	3	4	5	6	7	8	9	10
Net Cash flows (Rs)	7000	7000	7000	7000	7000	8000	10000	15000	10000	4000

Using 10% as the cost of capital (rate of discount) , determine the following: (i) Pay-back period, (ii) Net present value at 10% discounting factor, (iii) Internal rate of return with the help of 10% discounting factor and 15% discounting factor.

16. From the following information, prepare a statement showing the estimated WC requirements:

Budgeted sales – Rs 2,60,000 p.a

Analysis of Cost and Profit of each unit

Particulars	**Rs**
Raw materials	3
Labour	4
Overheads	2
Profit	1
Selling price Per unit	10

It is estimated that:

(a) Raw materials are carried in stock for three weeks and finished goods for two weeks

(b) Factory processing will take three weeks

(c) Suppliers will give five weeks credit and customers will require eight weeks credit.

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