C. ABDUL HAKEEM COLLEGE (AUTONOMOUS),
MELVISHARAM - 632 509.
SEMESTER EXAMINATIONS, NOVEMBER - 2018

B.B.A., **SEMESTER V**

U15MBA501/ U14MBA501 – FINANCIAL MANAGEMENT

Time: Three Hours Maximum: 75 Marks

SECTION - A (10 X 2 = 20 Marks)

Answer **ALL** Questions.

1. Define the term financial management.
2. Who is a finance manager?
3. Define cost of capital.
4. What is meant by financial planning?
5. Give a short note on Investment decision.
6. What do you understand by net present value method?
7. What is meant by working capital?
8. List out the various long term sources of fund.
9. Define Leverage.
10. What is Dividend?

SECTION - B (5 X 5 = 25 Marks)

Answer **ALL** Questions.

11. a) Explain the scope of financial management.

(Or)

b) Describe the role of finance manager.

12. a) What are the characteristics of financial planning?

(Or)

b) Write a note on financial forecasting.

13. a) Project ‘M’ initially costs Rs. 50,000. It generates the following cash flows.

Year	Cash Flows (Rs.)	Present value of Re. 1 at 10%
1	18,000	0.909
2	16,000	0.826
3	14,000	0.751
4	12,000	0.683
5	10,000	0.621

Taking the cut-off rate as 10%, suggest whether the project should be accepted or not.

(Or)

b) A project requires an investment of Rs. 5,00,000 and has a scrap value of Rs. 2,00,000 after 5 years. It is expected to yield profits after taxes and depreciation during the five years amounting to Rs. 40,000, Rs. 60,000, Rs. 70,000, Rs. 50,000 and Rs. 20,000. Calculate the average rate of return.

14. a) From the following information, you are required to forecast the working capital requirement.

Projected annual sales	Rs. 65,00,000
Percentage of net profit on cost of sales	25%
Average credit period allowed to debtors	10 weeks
Average credit period allowed by creditors	4 weeks
Average stock carrying (in terms of sales requirement)	8 weeks

Add 10% to computed figures to allow for contingencies

(Or)

b) From the following information extracted from the books of a manufacturing company, compute the operating cycle in days.

Period covered: 365 days.

Average period of credit allowed by suppliers: 16 days.

	Rs.
Average total of debtors outstanding	4,80,000
Raw materials consumption	44,00,000
Total production cost	1,00,00,000
Total cost of sales	1,05,00,000
Sales for the year	1,60,00,000
Value of average stock maintained:	
Raw materials	3,20,000
Work-in-progress	3,50,000
Finished goods	2,60,000

15. a) Calculate operating and financial leverages from the following particulars.

Units sold 5,000	Selling price per unit Rs. 30
Variable cost per unit Rs. 20	EBIT Rs. 30,000
Public debt Rs. 1,00,000	

(Or)

b) From the following particulars, 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

SECTION - C (3 X 10 = 30 Marks)

Answer **ANY THREE** Questions.

16. Discuss the various sources of finance.
17. Explain the various factors which influence the dividend policy of a firm.
18. A company proposes to undertake one of two mutually exclusive projects namely, AXE and BXE. The initial capital outlay and annual cash inflows are as under.

		AXE	BXE
		Rs.	Rs.
Initial capital outlay		Rs. 22,00,000	30,00,000
Salvage value at the end of the life		0	0
Economic life (years)	1	4	7
After tax annual cash inflow year	2	Rs. 6,00,000	Rs. 5,00,000
	3	12,50,000	7,50,000
	4	10,00,000	7,50,000
	5	7,50,000	12,00,000
	6	--	12,50,000
	7	--	10,00,000
		--	8,00,000

The company's cost of capital is 16%. Calculate for each project

(a) NPV and (b) IRR.

19. Cost sheet of a company provides the following particulars:

Element of cost:

Raw materials	40%
Labour	10%
Overheads	30%

The following particulars are also available:

i. Raw materials remain in stock for 6 weeks
ii. Processing tome 4 weeks
iii. Finished goods are in stock for 5 weeks
iv. Period of credit allowed to debtors 10 weeks
v. Lag in payment of wages 2 weeks
vi. Period of credit allowed by creditors 4 weeks
vii. Selling price Rs. 50 per unit
viii. Production in units 13,000 p.a.

Prepare an estimate of working capital

20. Calculate operating, financial and combined leverages under situations A, B & C from the following particulars:

Installed capacity		1,200 units
Actual capacity utilized		800 units
Selling price per unit		Rs. 15
Variable cost per unit		Rs. 10
Fixed costs:	Situation A	Rs. 1,000
	Situation B	Rs. 2,500
	Situation C	Rs. 3,000

Capital structure:	Financial Plan		
	I	II	III
Equity capital	5,000	7,500	2,500
Debt (cost 10%)	5,000	2,500	7,500

****