



K25U 0919

Reg. No. :

Name :

IV Semester B.B.A./B.B.A. (R.T.M.)/B.B.A.(H.A.) Degree (C.B.C.S.S. – O.B.E. –
Regular/Supplementary/Improvement) Examination, April 2025
(2019 to 2023 Admissions)

Core Course

4B07BBA/BBA(RTM)/BBA(HA) : FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 40

PART – A

Answer all questions. Each question carries 1 mark.

1. What is Financial Management ?
2. What is Pay Back Period ?
3. Expand EBIT.
4. What is Capital Budgeting ?
5. Define Working Capital.
6. What is NPV ?

(6×1=6)

PART – B

Answer any six questions. Each question carries 2 marks.

7. What are the two main objectives of Financial Management ?
8. What is Over Capitalization ?
9. The initial investment of a project is Rs. 5,00,000. Profit after tax and depreciation for the 1st five years are Rs. 40,000, Rs. 60,000, Rs. 70,000 and Rs. 50,000 and Rs. 20,000 respectively. Assuming 5 years life for the project and having a scrap value of Rs. 20,000 at the end of the 5th year, calculate average rate of return.

P.T.O.



10. H Ltd. wishes to calculate its cost of equity capital using CAPM approach. Risk free return equals to 10%; the firms beta equals 1.50 and the return on the market portfolio equals 12.5%. Compute the cost of equity capital.
11. Point out any two disadvantages of having excess working capital.
12. What is Gross Working Capital and Net Working Capital ?
13. What are the three basic decisions in financial management ?
14. What is IRR ? Point out any 2 advantages of IRR. (6×2=12)

PART – C

Answer **any four** questions. **Each** question carries **3** marks.

15. Elaborate the importance of financial management.
16. What are the features of Capital Budgeting ?
17. What are the sources of financing working capital ?
18. What are the motives for holding cash in the context of working capital management ?
19. What is EPS ? How is it important in financing decision making ?
20. What are the advantages of having adequate working capital ? (4×3=12)

PART – D

Answer **any two** questions. **Each** question carries **5** marks.

21. A company is considering the purchase of a machine and 2 alternatives are available :

	Machine 1	Machine 2
Life (Estimated)	3 years	3 years
Capital Cost	Rs.10,000	Rs. 10,000
Net Earnings After Tax		
1 st Year	Rs. 8,000	Rs. 2,000
2 nd Year	Rs. 6,000	Rs. 7,000
3 rd Year	Rs. 4,000	Rs. 10,000



You are required to suggest regarding the selection of machine using :

- a) Pay Back Method
- b) NPV @ 10% discount rate
- c) Profitability Index @ 10% discount rate.

Year	1	2	3
PV Factor @ 10%	0.909	0.826	0.751

22. What is Capital Structure ? What are the factors affecting capital structure ?

23. Proforma cost sheet of a company provides the following particulars :

Materials : 40%

Labour : 20%

Overhead : 20%

The following particulars are available :

- a) It is proposed to maintain a level of activity of 200000 units.
- b) Raw materials will be in store for 1 month.
- c) Materials will be in process for a period of half a month.
- d) Selling price per unit is Rs. 12.
- e) Finished goods will be in stock for 1 month.
- f) Credit allowed to debtors is 2 months.
- g) Credit allowed by suppliers is 1 month.

Compute working capital.

24. Elaborate the merits and demerits of discounted and non-discounted capital budgeting techniques. (2×5=10)