

MES ASMABI COLLEGE, P VEMBALLUR NOVEMBER -2023

Branch: BBA

Course Title : FINANCIAL MANAGEMENT

Time : 2hr

Semester: 3

Course Code : BBA3B05

Maximum: 60 Marks

Section - A		
Answer ALL questions. Each Question Carries TWO marks		
Q.No.	Question	Knowledge Level
1	Define financial management?	K1
2	Name two concept of working capital?	K1
3	What is Trading on equity?	K1
4	What is operating cycle concept?	K1
5	Explain CAPM approach?	K2
6	Explain ABC analysis	K2
7	What is the formula of Gordon approach of dividend policy?	K1
8	Cost of capital?	K2
9	Compare capital structure and finance structure?	K2
10	What is Interim dividend?	K1

Section - B

Answer any FOUR questions. Each Question Carries FIVE marks. Atleast 50% of the questions should be at K3 or K4 level.

Q.No.	Question	Levels						
11	Solve the following Annual consumption : 10000 K g :50/- Cost per K g of materials : 2/- inventory Calculate EOQ and also calculate the number of orders to be placed in an year.	K2						
12	Prepare an income statement from the following Operating leverage = 3:1      Financial leverage = 2:1 Interest charges per annum = 20 Lakh Tax rate : 50%      variable cost as a percentage of sales = 50%	K3						
13	Explain modern scope of Financial management?	K2						
14	Prepare a note on MM approach of dividend policy?	K3						
15	From the following data Discover WACC based on market value weight	K4						
	<table border="1"> <thead> <tr> <th>source</th> <th>amount</th> <th>Cost of capital</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	source	amount	Cost of capital				
source	amount	Cost of capital						



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	Equity capital (2,00,000 shares of 10 each)	2,00,000	11%	
	Preference share capital(50,000 shares of 10 each)	5,00,000	8%	
	Retained earnings	10,00,000	11%	
	9% debenture(1,00,000) each	15,00,000	4.5%	
	Presently the debentures are being traded at 9.4% preference shares at par and the equity shares at 13/- per share			
16	Analyse the two alternatives according to pay back method Two machines are available A and B each costing 1,00,000 earnings after tax but before depreciation are expected as follows			K4
	year	Machine A (cash inflow)	Machine B(cash inflow)	
	1	25000	12500	
	2	37500	37500	
	3	50000	50000	
	4	25000	37500	
	5	12500	25000	

### SECTION - C

Answer any TWO questions. Each Question Carries TEN marks.

Q.No.	Question	Knowledge Level										
17	Discover the effect of dividend policy on market price of shares using Walters model at the following pay out ratios a) 0%    b)50%    c) 75%    d) 100% capitalisation rate = 10%    EPS =12/- Assumed rate of return a) 16%    b)8%    c)10%	K4										
18	Solve the following. Calculate IRR Cost : 22000 <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>year</th> <th>Cash inflow</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12000</td> </tr> <tr> <td>2</td> <td>4000</td> </tr> <tr> <td>3</td> <td>2000</td> </tr> <tr> <td>4</td> <td>10000</td> </tr> </tbody> </table>	year	Cash inflow	1	12000	2	4000	3	2000	4	10000	K3
year	Cash inflow											
1	12000											
2	4000											
3	2000											
4	10000											
19	Prepare a note on various techniques of capital budgeting?	K3										



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ANSWER BOOK FOR INTERNAL EXAMINATION

Name of the Student: <u>Saliba Sathar</u>		Roll No: <u>LT</u>
Programme: <u>II<sup>nd</sup> B.B.A</u>		Semester: <u>II<sup>nd</sup> Sem</u>
Course / Paper:		
Date: <u>4/1/2023</u>	Additional Pages:	Signature of Invigilator:
Max. Marks:	Marks Secured: <u>50</u>	Signature of Examiner:

- 1) Financial management refers to fund and utilisation in order to achieve objectives of the firm.
- 2) Gross concept :- Working capital refers to entire amount invested in current Asset :- Working capital Asset
- 2) Net concept :- ~~cap~~ refers to excess amount invested in current Asset over current Liabilities. Working cap = Current Asset - Liabilities
- 3) Use of preference share debenture, loan along with equity share capital is trading of debt



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time Sub blw



5. Conversion of raw into finished good and finished good into cash (capital) Asset Pricing model refers to rate of return depend upon risk associated with it. When risk increase rate

6. Not. return increase rate decrease rate of return decrease  
 $R_f + \beta (R_m - R_f)$

6. In ABC Analysis material classified according to their value. Category A consist of high value material B consist of medium value material C consist of lower value material different degree of control In each category. Aim is to concentrate on all type of material and reduce stock turnover

7. 
$$\frac{c + (1-b)}{k_e - b}$$

8. Cost of capital refers to rate of return firm has to pay to shareholders for the use of their



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$$401001000 = 2 \text{ EBIT} - \text{EBIT}$$

$$\text{EBIT} = 401001000$$

$$C = \frac{401001000}{3}$$

$$C = 401001000 \times 3 = 12,000,1000$$

$$\text{EBIT} = 401001000$$

$$\text{Fixed cost} = \text{Contribution} - \text{EBIT}$$

$$12,000,1000 - 401001000$$

$$801001000$$

Variable cost 50% sales

Contribution 50% sales

$$12,000,1000 \times \frac{100}{50} = 24,000,1000 \text{ sales}$$

$$\text{Variable cost} = 24,000,1000 \times \frac{50}{100}$$

4

12 mm approach is associated with Modigliani and Miller it says when company pay dividend it will increase market price of share. Automatically increase value of firm but payment reduce cash balance. So company issue



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new share. When supply of share increase it reduce market price so value of firm decline ~~when market price share~~ they say about relevant dividend policy when company pay dividend or not it will have effect market price of share

15

Source	Amount	book value	cost of capital	Weighted cost
Equity	21001000	21001000 = .06	11%	.66%
Preference share	51001000	51001000 = .15	8%	1.2%
retained earning	101001000	101001000 = .31	11%	3.41%
9% debenture	151001000	151001000 = .46	7.5%	2.07%
<b>total</b>	<b>321001000</b>			<b>7.33%</b>

Market value

debenture =  $15,100,1000 \times \frac{9.4}{100} = 1,411,000$

equity =  $21,001,000 \times 13 = 261,001,000$

noting motion about retained earnings ratio (5:2:1) =

equity =  $261,001,000 \times \frac{2}{5} = 1,04,400,400$

retained earning =  $261,001,000 \times \frac{1}{5} = 52,200,200$



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~~Traditional~~

~~Traditional method~~

~~Payback method~~

Payback: it is period of time which is required to recover initial investment of project. it is traditional =  $\text{Payback} = \frac{I}{C}$

Payback Profitability ratio is cashflow generated ~~over~~ during working life of company.

ARR method is Average rate of return =  $\frac{\text{Average income}}$

NPV is cash inflow AVRAGE INVESTMENT

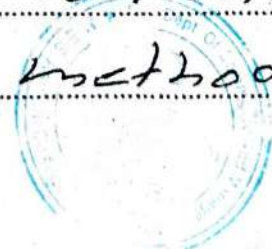
and cash out flow are discounted to present value.  $\therefore \text{NPV} = \text{Present Value of cash inflow} - \text{Present Value of cash outflow}$

Profitability index ratio:

~~the~~ the companies having different initial investment it is difficult to make comparison in NPV so this method is used.



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profitability index method =  $\frac{NPV}{\text{Cash outflow}}$   
 or  $\frac{\text{Cash inflow}}{\text{Cash outflow}}$

IRR (Internal rate of return)  
 is it refers to present value of  
 cash inflow and present value of  
 cash out flow is equal then

NPV = 0

$IRR = L + \frac{P_1 - C}{P_1 - P_2} (H - L)$

When cash inflows are equal  
 present value assumed as  
 =  $\frac{\text{Cash outflow}}{\text{Cash inflow}}$

When cash inflow not equal  
 Present value =  $\frac{\text{Initial investment}}{\text{Average cash inflow}}$

$IRR = L + \frac{P_1 - C}{P_1 - P_2} (H - L)$

When dividend paid during  
 interval of company is 1/2 then

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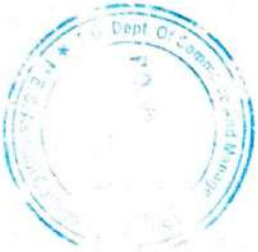


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FINANCIAL MANAGEMENT

BBA-III Semester -Internal Score Sheet

Student Name:Salha Sathar

Questions	1		13		Weighted Score										Weighted Score		Weighted Score	
	K1	K2	K1	K2	3	5	12	16	18	19	CO3 attainment	2	4	CO5 attainment	6	11		
Level of Knowledge of Question					K1	K2	K3	4	K3	K3		K1	K1		K2	K3		
Specified Course	C1	C1			C3	C3	C3	C3	C3	C3		C5	C5		C6	C6		
Knowledge Level of Course outcome	K2	K2			K3	K3	K3	K5	K3	K3		K4	K4		K5	K5		
Weightage (Question & CO mapping score)	1	3			1	2	3	3	3	3		1	1		1	2		
Marks Secured by the Student	0.5	3			1	1.5	4	0	0	7		2	1		2	5		
Max.Marks	2	5			2	2	5	5	10	10		2	2		2	5		
Percentage of Marks	25	50			50	75	80	0	0	70		100	50		100	100		
Attainment level	1	1			1	3	3	0	0	2		3.0	1		3.0	3		
CA-Seminar,Assignment,Quiz																		
Final sco			3								3					2		
Final sco			2.6								2.6					1.80		



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Weighted Score	Weighted Score		Weighted Score		Weighted Score			Weighted Score		Weighted Score	
CO6 attainment	9	CO7 attainment	8	15	CO8 attainment	7	10	17	CO9 attainment	14	CO10 attainment
	K1		K1	K4		K1	K1	K4		K3	
	C7		C8	C8		C9	C9	C9		C10	
	K4		K5	K5		K5	K5	K5		K5	
	1		1	3		1	1	3		2	
	1.5		1.5	5		1.5	0.5	9		0	
	2		2	5		2	2	10		0	
	75		75	100		75	25	90		5	
	3.00	3.0	3	3	3	3	1	3	2.6	0	
	3	2	3	3	2	3	3	3	3	0	
3.00		2.2			2.2				2.92		0



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