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III Semester B.B.A. Degree Examination, April - 2022

BUSINESS ADMINISTRATION

Corporate Financial Management

(CBCS New Scheme 2019-20)

Paper: 3.7

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answers should be written completely in English only.

SECTION - A

Answer any five sub-questions. Each sub-question carries two marks. (5×2=10)

1. a) Expand EBIT and EPS?
- b) Define pay back period?
- c) What is working capital?
- d) What is Business plan?
- e) Define time value of money.
- f) What do you mean by bonus shares?
- g) Write the types of leverage.

SECTION - B

Answer any three questions. Each question carries 5 marks. (3×5=15)

2. Explain factors influencing a sound financial plan.
3. Explain the sources of working capital.

[P.T.O.]



4. Determine three types of leverage from the following information.
Selling price per unit Rs. 10, unit sold 2,70,000
Variable cost per unit Rs. 6
Fixed cost Rs. 3,60,000
10% Debt capital Rs. 9,00,000
5. If you deposit Rs. 5,000 today @ 6% rate of interest in how many years will this amount double? Work out by using rule of 72 and 69?

SECTION - C

Answer any three questions. Each question carries fifteen marks: (3×15=45)

6. Explain the factors determining working capital.
7. Explain the objectives of Financial management.
8. KPMG Ltd has currently an ordinary share capital of Rs. 25 lakhs, consisting of 2500 shares of Rs. 100 each. The management is planning to raise another Rs. 20 lakhs to finance a major programme of expansion through one of the four possible financial plans.
- Entirely through ordinary shares
 - Rs. 10 lakhs through ordinary shares and Rs. 10 lakhs through long term borrowings at 8% interest.
 - Rs. 5 lakhs through ordinary shares and Rs. 15 lakhs through long term borrowing at 9% interest.
 - Rs. 10 lakhs through ordinary shares and Rs. 10 lakhs through preference share with 5 percent dividend.
- The company expected EBIT will be Rs. 8 lakhs assuming a corporate tax rate of 46 percent Determine the EPS in each alternative and comment which alternative is best and why?
9. A choice is to be made between two competing proposals which require an equal investment of Rs. 50,000 are expected to generate net cash flows as under:

Year	Project 1 (Rs.)	Project 2(Rs.)
1	25000	10000
2	15000	12000
3	10000	18000
4	Nil	25000
5	12000	8000
6	6000	4000



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The cost capital is 10% which project should be chosen under

- a) Pay back period
 - b) NPV method?
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