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III Semester B.B.A. Degree Examination, March/April - 2021

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.

**SECTION - A**

1. Answer any **Five** questions. Each sub-question carries **Two** marks. (5×2=10)
- Define financial management.
  - What is financial planning?
  - Define time value of money.
  - What is Interim dividend?
  - What is wealth maximization?
  - Mention any 2 qualities of finance manager.
  - What do you mean by wealth maximization.

**SECTION - B**Answer any **Three** questions. Each sub-question carries **5** marks. (3×5=15)

- State the criticisms laid against profit maximisation.
- Briefly explain the sources of working capital.
- Calculate the present value of the following series of payments made at the end of each year for a period of five years at 8% interest rate.

Cash flow at the end of 1 <sup>st</sup> year	Rs. 4,000
Cash flow at the end of 2 <sup>nd</sup> year	Rs. 5,000
Cash flow at the end of 3 <sup>rd</sup> year	Rs. 6,000
Cash flow at the end of 4 <sup>th</sup> year	Rs. 7,000
Cash flow at the end of 5 <sup>th</sup> year	Rs. 8,000

[P.T.O.]



5. Determine three types of coverages from the following information.

Selling price per unit Rs. 10, units sold 90,000

Variable cost per unit Rs. 6

Fixed cost Rs. 1,20,000

10% Debt capital Rs. 3,00,000

### SECTION - C

Answer any **Three** questions. Each question carries **15** marks.

(3×15=45)

6. Explain the characteristics of sound financial planning.
7. Briefly explain the determinants of Dividend policy.
8. RM limited is capitalized with 50,000 equity shares of Rs. 10 each. Company wants another Rs. 5,00,000 for expansion programme. The following are the different plans.

- \* All equity shares
- \* Rs. 2,50,000 in equity and the balance in preference shares carrying 10% Dividend.
- \* Rs. 2,50,000 in equity and the balance in Debenture at 10% Interest.
- \* All Debenture at 8% Interest.

Tax rate is 50% and the existing EBIT is Rs. 1,60,000 P.A.

Calculate :

- a. EPS for four plans
- b. What would the EPS, if EBIT is doubled?
9. Calculate the Average rate of return for project S and R from the following.

	Project S			Project R	
Investments	Rs. 20,000			Rs. 30,000	
Expected life	4 yrs.			5 yrs.	
Project net income after depreciation & taxes					
Year	1	2	3	4	5
Project S	Rs. 2,000	Rs. 1,500	Rs. 1,500	Rs. 1,000	-
Project R	Rs. 3,000	Rs. 3,000	Rs. 2,000	Rs. 1,000	Rs. 1,000

If the Required rate of return at 12% which project should be undertaken. Also calculate pay back period assuming straight line method of depreciation.