

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86
(For candidates admitted from the academic year 2023 – 2024 and thereafter)

B.B.A DEGREE EXAMINATION, APRIL 2026
BUSINESS ADMINISTRATION
FOURTH SEMESTER

COURSE : MAJOR CORE
PAPER : INTRODUCTION TO FINANCIAL MANAGEMENT
SUBJECT CODE : 23BA/MC/IF44
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION A				
Q. No.	Answer all the questions:	(5 x 2 = 10)	CO	KL
1.	Define Financial management.		CO1	K1
2.	What is the need for working capital management?		CO1	K1
3.	J Ltd issued 12,000 10% debentures of Rs.100 each at par. The rate is 50%. Calculate the cost of irredeemable debt before tax.		CO1	K1
4.	A company has sales of Rs.1,00,000, variable costs of Rs.60,000, and fixed costs of Rs.20,000. Calculate the Operating Leverage.		CO1	K1
5.	A Project has an initial investment of Rs. 2,00,000. It will produce cash flow after tax of Rs. 50,000 per annum for six years. Compute the payback period for the project.		CO1	K1
SECTION B				
Q. No.	Answer any four questions:	(4 x 5 = 20)	CO	KL
6.	Explain the Modigliani–Miller (MM) approach to capital structure.		CO2	K2
7.	Describe any five determinants of working capital requirements.		CO2	K2
8.	R invests Rs. 25,000 in a bank at 10% for 5 years. Calculate the maturity value if interest is compounded annually. Will he get more if interest is compounded half yearly?		CO2	K2
9.	A Ltd pays a dividend of Rs.4 per share. Its shares are quoted at Rs.40 presently and investors expect a growth rate of 10% per annum. Calculate the cost of equity capital.		CO2	K2
10.	A company has an EBIT of ₹2,00,000. It has issued 10% debentures of ₹10,00,000. The equity capitalization rate is 15%. Assume no taxes. Calculate: a) Net Income available to equity shareholders b) Market value of equity .		CO2	K2
11.	Compute ARR from the following details. Cost of asset – Rs. 4,00,000; Useful life – 5 years; Cash flow after tax (CFAT) – Rs.1,72,000 p.a.		CO2	K2
SECTION C				
Q. No.	Answer all the questions (Internal Choice) :	(4 x 10 = 40)	CO	KL
12.	a) Calculate the future value of the following series of payments at the end of 4 years. Rate of interest is 9% P1 = Rs.1500 at the end of first year P2 = Rs.3000 at the end of second year P3 = Rs.4500 at the end of third year P4 = Rs.6000 at the end of fourth year.		CO3	K3

	<p style="text-align: center;">(or)</p> <p>b) A company issued 20,000 8% debentures of Rs.100 each at par. The cost of issue was Rs. 50,000. The company's tax rate is 35%. Calculate the cost of debt (before as well as after tax) if they were issued (a) at par, (b) at a premium of 10% and (c) at a discount of 10%.</p>														
13.	<p>a) S Ltd. has a stable income and stable dividend policy. The average annual dividend payout is Rs. 25 per share (Face value: Rs. 100). You are required to ascertain: (a) Cost of equity capital. (b) Cost of equity capital if the market price of the share is Rs. 150. (c) Expected market price in year 2 if cost of equity is expected to rise to 20%. (d) Dividend payout in year 2 if the company were to have an expected market price of Rs. 160 per share, at the existing cost of equity.</p> <p style="text-align: center;">(or)</p> <p>b) From the following information, prepare a statement showing the estimated working capital requirements Budgeted Sales - Rs. 2, 60,000 p.a Analysis of Cost and Profit of each unit.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Raw materials</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Labour</td> <td style="text-align: center;">4</td> </tr> <tr> <td>Overheads</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Profit</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Selling price per unit</td> <td style="text-align: center;">10</td> </tr> </tbody> </table> <p>It is estimated that</p> <ol style="list-style-type: none"> a. Pending use, raw materials are carried in stock for 3 weeks and finished goods for 2 weeks. b. Factory processing will take 3 weeks . c. Supplier will give 5 weeks credit and customer will require 8 weeks credit. d. It may be assumed that production and overheads accrue evenly throughout the year. 		Rs.	Raw materials	3	Labour	4	Overheads	2	Profit	1	Selling price per unit	10	CO3	K3
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14.	<p>a) Selling Price per unit = ₹50 Variable Cost per unit = ₹30 Fixed Operating Costs = ₹2,00,000 Interest on Debt = ₹50,000 Units Sold = 20,000 units You are required to calculate: Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), Degree of Combined Leverage (DCL).</p> <p style="text-align: center;">(or)</p>	CO4	K4												

	<p>b) A company is considering investing in a project that requires an initial investment of ₹1,00,000.</p> <p style="text-align: center;">Year Cash Inflow (₹)</p> <table style="margin-left: auto; margin-right: auto;"> <tr><td>1</td><td>40,000</td></tr> <tr><td>2</td><td>50,000</td></tr> <tr><td>3</td><td>30,000</td></tr> </table> <p>The required rate of return (discount rate) is 10%. Calculate the Net Present Value (NPV) of the project and state whether the project should be accepted.</p>	1	40,000	2	50,000	3	30,000												
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15.	<p>a) A company is considering a project with the following details: Initial Investment = ₹1,50,000 Discount Rate = 10%</p> <table style="margin-left: auto; margin-right: auto;"> <tr><td>Year</td><td>Cash Inflow (₹)</td></tr> <tr><td>1</td><td>60,000</td></tr> <tr><td>2</td><td>70,000</td></tr> <tr><td>3</td><td>50,000</td></tr> </table> <ol style="list-style-type: none"> 1. Calculate the Net Present Value of Cash Inflows 2. Calculate the Profitability Index (PI) 3. State whether the project should be accepted. <p style="text-align: center;">(or)</p> <p>b) Initial Investment = ₹1,00,000.</p> <table style="margin-left: auto; margin-right: auto;"> <tr><td>Year</td><td>Cash Inflow (₹)</td></tr> <tr><td>1</td><td>50,000</td></tr> <tr><td>2</td><td>40,000</td></tr> <tr><td>3</td><td>30,000</td></tr> </table> <p>Calculate the Internal Rate of Return (IRR) .</p>	Year	Cash Inflow (₹)	1	60,000	2	70,000	3	50,000	Year	Cash Inflow (₹)	1	50,000	2	40,000	3	30,000	CO4	K4
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	SECTION D																		
Q. No.	Answer any two questions: (2 x 15 = 30)	CO	KL																
16.	<p>The following information is provided in respect of the specific cost of capital of different sources along with the book value (BV) and market value (MV) weights.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Source</th> <th>C/C</th> <th>BV</th> <th>MV</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital</td> <td>18%</td> <td>.50</td> <td>.58</td> </tr> <tr> <td>Preference Share Capital</td> <td>15%</td> <td>.20</td> <td>.17</td> </tr> <tr> <td>Long term Debts</td> <td>7%</td> <td>.30</td> <td>.25</td> </tr> </tbody> </table> <ol style="list-style-type: none"> a. Calculate the weighted average cost of capital, using both the BV, MV weights b. Calculate the WMCC using Marginal weights given that the company intends to raise additional funds using 50% long term debts, 35% preference shares and 15% by retaining profits. 	Source	C/C	BV	MV	Equity Share Capital	18%	.50	.58	Preference Share Capital	15%	.20	.17	Long term Debts	7%	.30	.25	CO5	K5
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Equity Share Capital	18%	.50	.58																
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Long term Debts	7%	.30	.25																

17.	<p>X Ltd. is considering investing in a project requiring a capital outlay of Rs. 8,00,000. Forecast for annual net incomes after depreciation but before tax are as follows: Year 1: Rs. 4,00,000 Year 2: Rs. 4,00,000 Year 3: Rs. 3,20,000 Year 4: Rs. 3,20,000 Year 5: Rs.1,60,000 Depreciation is taken at 20% on original cost and taxation at 50% of income. Evaluate the project according to a) Pay back period method. b) Rate of return on original investment method. c) Rate of return on average investment method. d) NPV method taking cost of capital as 10%.</p>	CO5	K5
18.	<p>Cost sheet of a company provides the following particulars Elements of Cost Raw materials – 40% Labour – 10 % Overheads – 30%</p> <p>The following particulars are also available</p> <ol style="list-style-type: none"> 1. Raw materials remain in stock for: 6 weeks 2. Processing time: 4 weeks 3. Finished goods are in stock for: 5 weeks 4. Period of Credit allowed to debtors: 10 weeks 5. Lag in payment of wages: 2 weeks 6. Period of Credit allowed by creditors: 4 weeks 7. Selling price: Rs. 50 per unit 8. Production in units: 13000 p.a <p>Prepare an estimate of working capital.</p>	CO5	K5
