STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2016-17 and thereafter)

SUBJECT CODE: 16CM/MC/MF44

B.B.A. DEGREE EXAMINATION APRIL 2019
BUSINESS ADMINISTRATION
FOURTH SEMESTER

COURSE : MAJOR – CORE
PAPER : INTRODUCTION TO FINANCIAL MANAGEMENT
TIME : 3 HOURS MAX. MARKS: 100

Section A

Answer ALL the questions. (10 x 2 = 20)

1. What do you mean by financial management?
2. Calculate the maturity value of an annuity if Rs 20,000 is paid annually for 7 years at 12 % compounded annually?
3. Malaiya Ltd. Issued 60,000 15 % irredeemable preference shares of Rs 100 each. The issue expenses were Rs 60,000. Calculate the cost of preference capital if shares are issued at par.
4. Define cost of capital.
5. A project has an initial investment of Rs 2,00,000. It will produce cash flows after tax of Rs.50,000 per annum for six years. Compute the payback period for the project?
6. Calculate Gross working capital: cash Rs.20, 000, accounts receivable Rs 15,000, stock 30,000 Net working capital 10,000.
7. What is capital budgeting?
8. Define time value of money.
9. What are the sources of Working Capital?
10. An investment proposal is expected to result in an average annual income of Rs. 8, 00,000 after depreciation and tax. If the investment needed is Rs.40, 00,000, initially, compute the ARR on original investment.

Section B

Answer Any FIVE questions. (5 x 8 = 40)

11. Explain the objectives of Financial Management.

12. Raj makes an initial deposit of Rs.2, 00,000 in Laxmi Bank Ltd. Interest is compounded at 10% p.a. for 6 years. Compute the amount of maturity.

13. State the purposes of long term finance.

14. A company issues 5000, 12% Debentures of Rs. 100 each at a discount of 5% Commission payable is Rs. 25,000. Debentures are payable after 5 years. Calculate the cost of Debentures after tax assuming Tax @ 50%.

15. Compute Accounting Rate of Return.
    - Profit before depreciation and tax Rs. 2,00,000/-
    - Depreciation is 10% on Rs. 4,50,000/- And
    - Tax Rate 50%.

16. A project costs Rs.5, 00,000 and yields annually a profit of Rs.80, 000 after depreciation at 12% but before tax of 50%. Calculate payback period.

17. From the following estimates calculate the Average amount of Working Capital:

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S. No.	Particulars	Amount (Rs.)
a)	**Average amount locked up in Stock**	
	Stock of finished goods and work in progress	10,000
	Stock of stores, materials etc.	8,000
b)	**Average credit given**	
	Local sales 2 week's credit	1,04,000
	Sales outside the state 6 week's credit	3,12,000
c)	**Time available for payments**	
	For purchases 4 weeks	78,000
	For wages 2 weeks	2,60,000
d)	**Add 10% to allow for contingencies**	

Section C

Answer Any TWO questions. **(2 x 20 = 40)**

18. Calculate the Weighted Average Cost of Capital

Sources of funds	Amount	Proportion to total	After tax cost %
Equity share capital	7,20,000	.30	15
Retained Earnings	6,00,000	.25	14
Preference share capital	4,80,000	.20	10
Debentures	6,00,000	.25	10

19. A choice to be made between two projects which requires an equal investment of Rs. 50,000 and are expected to generate Net Cash Flows as under:

Year	Project I (Rs.)	Project II (Rs.)
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	Nil	25,000
5	12,000	8,000
6	6,000	4,000

The cost of the capital is 10%.

Year	1	2	3	4	5	6
P.V. factor @10%	0.909	0.826	0.751	0.683	0.621	0.564

Evaluate the project under:

a) Payback period

b) Discounted Cash Flow Method

20. The working results of two machines are as follows:

Particulars	Machine I	Machine II
cost	Rs.45,000	Rs.45,000
Sales per year	Rs.1,00,000	Rs.80,000
Cost per year	Rs.36,000	Rs.30,000

Expected life for Machine I is 2 years and Machine II is 3 years. Which of the two machines should be preferred?

21. Calculate working capital requirements for the year 2005 – 2006

Projected annual sales Rs. 65 Lakh
Percentage of net profit on cost of sales 20%
Average credit allowed to debtors 10 weeks
Average credit allowed by creditors 4 weeks
Average stock carrying (in terms of sales requirements) 8 weeks
Add 10 % to computed figures to allow for contingencies.

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