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V Semester B.B.A. Degree Examination, February/March - 2024

BUSINESS ADMINISTRATION

Advanced Corporate Financial Management

(NEP Semester Scheme)

Paper : 5.4

Time : 2½ Hours

Maximum Marks : 60

Instructions to Candidates:

Answers should be written in English only.



SECTION - A

Answer any FIVE of the following questions. Each question carries 2 marks. (5×2=10)

1. a. What is cost of capital?
- b. What is capital structure?
- c. What is sensitivity analysis?
- d. Explain danger level of inventories.
- e. What is cash dividend?
- f. What is aging schedule?
- g. Give the meaning of scenario analysis?

SECTION - B

Answer any FOUR of the following questions. Each question carries 5 marks. (4×5=20)

2. Discuss decision tree analysis.
3. Explain the significance of receivables management.
4. What are the factors influencing the dividend decision of a company?
5. MLPN Ltd. has the following capital structure.

[P.T.O.]



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Particulars	Rs. (Lakhs)
Equity share capital (10 lakh shares)	100
Retained Earnings	130
14% debentures (70,000 debentures)	70
16% term loan	100
Total	400

The market price pay per equity shares is Rs. 25. The next expected dividend per share is Rs. 2 and is expected to grow at 8%. The debentures are redeemable after six years at par and the current market quotation is Rs. 90 per debenture. The tax rate applicable to the firm is 50%.

You are required to compute weighted average cost of capital of the company using market values as weights.

6. The following information of a business concern is available who close their books of accounts on Dec 31st of every year. Calculate EPS and Return on capital employed.
- 10,000 equity shares of 10 each and Rs. 8 paid up Rs. 80,000.
 - 10%, 12,000 preference shares of Rs. 10 each Rs. 1,20,000
 - Profit before tax Rs. 80,000
 - Rate of tax applicable 50%

SECTION - C

Answer any TWO of the following questions. Each question carries 12 marks.

(2×12=24)

7. Bindu Ltd. is capitalised with Rs. 10,00,000 dividend into 1,00,000 equity shares of Rs. 10 each. The management designs to raise Rs. 10,00,000 to finance a major expansion programme. There are 4 possible financial plans.
- All equity shares
 - All debentures carrying 8% interest
 - Rs. 5,00,000 in equity shares and Rs. 5,00,000 in debentures carrying 10% interest.
 - Rs. 5,00,000 in equity shares and Rs. 5,00,000 in 10% preference shares.

You are required to calculate EPS if the EBIT is :

- Rs. 4,80,000 and
- Rs. 6,00,000.



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8. Explain the determinants of dividend policy.
9. From the following particulars extracted from the books of LP Naidu Ltd., compute the following ratios.
- Current ratio.
 - Acid test ratio.
 - Stock turnover ratio.
 - Debtors turnover ratio.
 - Creditors turnover ratio.
 - Average collection period.

Particulars	1.4.2022(Rs.)	31.3.2023 (Rs.)
Bills receivable	30,000	60,000
Bills payable	60,000	30,000
Sundry debtors	1,20,000	1,50,000
Sundry creditors	75,000	1,05,000
Stock - in - trade	96,000	1,44,000

Additional information :

- On 31.3.2023 there were assets : Building Rs. 2,00,000 cash-in-hand Rs. 1,20,000, cash - at - bank Rs. 96,000.
- Cash purchase Rs. 1,98,000 and purchase returns were Rs. 18,000.
- Cash sales Rs. 1,50,000 and sales returns were Rs. 6,000.
- Rate of gross profit 25% on sales.
- Actual gross profit was Rs. 1,50,000.

SECTION - D

Answer any ONE of the following questions carrying 6 marks.

(1×6=6)

- List any six inventory techniques.
- Prepare imaginary data relating to dividend policies practiced by any two companies of your choice.