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III Semester B.B.A. Degree Examination, March/April - 2023

**BUSINESS ADMINISTRATION**

**Corporate Financial Management**

*(CBCS New Scheme 2019-20 Repeaters)*

**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 2 marks. (5×2=10)

1. a) What is financial planning?
- b) What is Interim dividend?
- c) Give the meaning of combined leverage.
- d) Expand IRR and NPV.
- e) Mention the types of leverages.
- f) Write any 2 qualities of Finance Manager.
- g) What is payback period?



**SECTION - B**

Answer any Three of the following questions. Each question carries 5 marks.

(3×5=15)

2. What are the sources of working capital?
3. Explain the factors determining financial plan.
4. If you deposit Rs. 10,000 today @ 7% rate of interest in how many years will this amount double? Work out by using rule of 72 and 69.

[P.T.O.]



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5. Calculate all the 3 types of leverages from the following information.

Selling price per unit Rs. 6/-

Fixed cost Rs. 3,60,000/-

10% debt capital Rs. 9,00,000/-

Variable cost per unit Rs. 6/-

### SECTION - C

Answer any Three questions. Each question carries 15 marks.

(3×15=45)

6. Explain the characteristics of a sound financial planning.
7. What are the objectives of financial Management?
8. LPN Ltd. is capitalised 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.
  - i) All equity shares.
  - ii) Rs. 2,50,000 in equity and the balance in preference share carrying 10% dividend.
  - iii) Rs. 2,50,000 in equity and the balance in debenture at 10% interest.
  - iv) All debentures at 8% interest.

The tax rate is 25% and the existing EBIT is Rs. 1,60,000/- p.a.

Calculate :

- a) EPS for four years.
- b) What would be the EPS, if EBIT is doubled?



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	PV factor	Project - A (Rs.)	Project - B (Rs.)
1	0.909	25,000	10,000
2	0.826	15,000	12,000
3	0.751	10,000	18,000
4	0.683	NIL	25,000
5	0.621	12,000	8,000
6	0.564	6,000	4,000

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

- Pay back period method.
  - NPV method.
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