

NOVEMBER 2022

72237/BB23A

Time : Three hours

Maximum : 75 marks

PART A — (10 × 2 = 20 marks)

Answer any TEN questions.

Write short notes on the following:

1. Financial Management Functions
2. Risk and Return
3. Capital Structure
4. Financial Distress
5. Financing Leverage
6. Points of Indifference
7. Cost of equity
8. Cost of debt
9. Weighted average cost of capital
10. Dividend payment.
11. Net working capital
12. Receivables Management.

U BBA → Financial Management

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions.

13. What are the three important decisions that a financial manager has to take for maximizing the value of the shareholders?
14. Explain the principles of financial management.
15. Differentiate between business risk and financing risk of a firm. How are they measured by leverage?
16. Distinguish between explicit and implicit costs of capital. Do retained earnings have a cost?
17. What is the risk free rate of interest? How is it different from business and financial risk?
18. What are the main determinants of a dividend policy? Why do firms follow a policy of stable dividends?
19. What is an operating cycle? How is it important for the management of working capital?
22. Cost of preference capital is lower than cost of equity. Give reasons.
23. Explain briefly the factors which affect the dividend policy of a firm.
24. Discuss the different approaches to working capital management. What is the trade-off between hedging and conservative approach.

PART C — (3 × 10 = 30 marks)

Answer any THREE Questions.

20. Discuss the objectives of financial management in the modern day usage.
21. Critically examine the NI and NOI approach to capital structure decisions.