

**B B A DEGREE END SEMESTER EXAMINATION - MARCH 2026****UGP (HONS) SEMESTER - 4: (BBA INTEGRATED MARKETING & BBA BUSINESS ANALYTICS)****COURSE: 24UBBACCR206: FINANCIAL MANAGEMENT***(For Regular 2024 Admission)*

Time: 2 Hours

Max. Marks: 70

**PART A*****Answer ANY FIVE questions***

1. Define financial management objectives. (CO1 – U)
  2. Explain the time value of money. (CO2 – U)
  3. List the functions of a financial manager. (CO1 – R)
  4. Explain risk–return trade-off. (CO2 – U)
  5. Define working capital. (CO3 – R)
  6. Explain short-term sources of finance. (CO4 – U)
  7. State the advantages of retained earnings. (CO4 – U)
  8. Explain the concept of leverage. (CO3 – U)
- (5 × 3 = 15)**

**PART B*****Answer any THREE***

9. Calculate Operating Cycle & Cash Conversion Cycle:  
Raw Material = 35 days  
WIP = 15 days  
Finished Goods = 20 days  
Debtors = 45 days  
Creditors = 30 days  

(CO4 – A)
10. Calculate Contribution, EBIT & DOL:  
Sales = ₹22,00,000  
Variable Cost = ₹14,50,000  
Fixed Cost = ₹3,50,000  

(CO3 – A)

11. Apply appropriate capital budgeting techniques to evaluate the feasibility of an investment proposal and justify the selection decision. (CO3 – A)
  12. Evaluate the suitability of internal and external sources of finance for a business firm under different financial situations and recommend the most appropriate option. (CO2– E)
  13. Analyse the key determinants of working capital requirements in a business organisation and assess how they influence the firm’s liquidity and profitability. (CO3 – An)
- (5 × 3 = 15)**

**PART C**

**Answer any ONE**

14. Analyse the key factors that influence a firm’s capital structure and critically evaluate how the main capital structure theories (Net Income, Net Operating Income, Traditional, and Modigliani–Miller) explain these decisions (CO2 – An)
15. The capital structure of LMN Ltd. consists of equity shares of ₹10,00,000 (₹100 par value) and ₹6,00,000 of 10% debentures.  
Sales increased from 80,000 units to 1,20,000 units.  
Selling price per unit = ₹15  
Variable cost per unit = ₹9  
Fixed expenses = ₹2,20,000  
Income tax rate = 35%  
Calculate:
  - a) Earnings Per Share (EPS) at both sales levels
  - b) Percentage increase in EPS due to increase in sales
  - c) Degree of Operating Leverage (DOL) at both sales levels
  - d) Degree of Financial Leverage (DFL) at both sales levels
  - e) Comment on the effect of operating and financial leverage on company earnings (CO3 – A, An)

**(20 × 1 = 20)**

**PART D**

**Answer any ONE**

16. A newly formed company planning its capital structure.  
The company can issue 12% debentures and 9% preference shares.

Corporate tax rate = 35%

Total capital required = ₹80 lakhs

Alternative Capital Structures:

Plan	Debt (%)	Preference Capital (%)	Equity (%)
A	0%	0%	100%
B	25%	0%	75%
C	25%	15%	60%
D	50%	0%	50%
E	50%	15%	35%

If EBIT is 15% of total capital,

Assume the face value of equity shares is ₹100 each.

1. Calculate Earnings Per Share (EPS) under each capital structure plan.
2. Compute the Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), and Degree of Combined Leverage (DCL) under each plan.
3. Analyse which capital structure is most favourable based on EPS and leverage considerations.

(CO4 – Ap, An)

**OR**

17. ABC Manufacturing Ltd. produces 60,000 units annually

The following information is available:

Cost per Unit

Raw Material = ₹40

Labour = ₹25

Overheads = ₹15

**Operating Cycle Data**

Raw Material storage = 20 days

Work-in-progress period = 10 days

Finished Goods storage = 15 days

Debtors' collection period = 30 days

Creditor's payment period = 25 days

**Additional Information**

Opening Inventory = ₹4,00,000

Closing Inventory = ₹6,00,000

Annual Credit Sales = ₹48,00,000

Minimum Cash Balance required = ₹1,50,000

Annual Demand = 10,000 units

Ordering Cost = ₹250

Carrying Cost per unit = ₹10

**a) Calculate:**

Operating Cycle

Cash Conversion Cycle

(4 Marks)

**b) Calculate:**

Inventory Turnover Ratio

Holding Period

Receivables Turnover Ratio

Collection Period

(6 Marks)

**c) Calculate EOQ.**

(4 Marks)

**d) Prepare a statement showing Working Capital Requirement and Net Working Capital.**

(6 Marks)

(CO3 – Ev, Ap)

**(1 × 20 = 20)**