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SECOND SEMESTER (CUFYUGP) DEGREE EXAMINATION, APRIL 2025

BBA

BBA2MN101 FINANCIAL MANAGEMENT

2024 Admission onwards

Maximum Time :2 Hours | **Maximum Marks :70**

Section A

All Questions can be answered. Each Question carries 3 marks (Ceiling: 24 Marks)

1	If ₹12,000 is invested today and grows to ₹16,500 in 5 years, what is the annual interest rate?
2	What is Present Value (PV)?
3	A company issues ₹2,00,000 preference shares at 10% dividend rate. Find the cost of preference capital if the issue price is ₹100 per share and flotation cost is ₹5 per share.
4	A bank offers a car loan of ₹5,00,000 for 7 years at 9% interest. Find the annual installment amount.
5	Define Net Present Value (NPV).
6	A company has EBIT of ₹5,00,000 and a total interest expense of ₹50,000. If there are 1,00,000 equity shares, find the EPS (Earnings Per Share) assuming no taxes.
7	What is Capital Budgeting?
8	What is Bird-in-Hand Theory of dividends?
9	Find the present value of an annuity that pays ₹6,000 annually for 10 years at a discount rate of 9%.
10	If a company has a net income of ₹5,00,000 and shareholders' equity of ₹25,00,000, calculate ROE

Section B

All Questions can be answered. Each Question carries 6 marks (Ceiling: 36 Marks)

11	A firm expects EBIT of ₹4,00,000. It has two financing options: • 100% equity (2,00,000 shares) • 50% equity (1,00,000 shares) & 50% debt @ 10% interest Find the EPS for both cases (assume no tax).
12	A lottery winner receives ₹1,00,000 per year for 25 years. If the discount rate is 10%, what is the present value of this annuity?
13	A firm has ₹50,00,000 in total assets, ₹30,00,000 in equity, and an after-tax profit of ₹5,00,000. Find ROE and discuss if the return is sufficient.
14	A company issues preference shares at ₹120 per share with a dividend rate of 9% and flotation cost of ₹5. Calculate the cost of preference capital.
15	A manufacturing company wants to recover an investment of ₹12,00,000 in 5 years with an annual return of 10%. Find the annual recovery amount.
16	What is the impact of financial leverage on Return on Equity (ROE)?
17	Briefly explain how the Monte Carlo Simulation is used in investment analysis.
18	Explain the Bird-in-Hand Theory of dividend relevance

Section C	
Answer any ONE. Each Question carries 10 marks (1x10=10 Marks)	
19	A firm is considering two financing options: Option 1: 100% Equity (5,00,000 shares) Option 2: 50% Equity (2,50,000 shares) & 50% Debt (₹25,00,000 @10%) EBIT = ₹6,00,000 Tax Rate = 30% Calculate EPS for both options and determine which is better.
20	A company has an EBIT of ₹8,00,000 and is financed by ₹10,00,000 in equity and ₹5,00,000 in debt. The cost of debt is 10%, and the cost of equity is 15%. Find the total market value of the firm using the Traditional Approach.