K25U 2457

Reg. No. : ....

Name : ....

V Semester B.B.A. Degree (CBCSS-OBE – Regular/Supplementary/ Improvement) Examination, November 2025
(2019 to 2023 Admissions)
Core Course
I – FINANCE
5B12BBA : Advanced Financial Management

Time : 3 Hours Max. Marks : 40

PART – A

Answer **all** questions. **Each** question carries **1** mark.

1. Define optimum capital structure.
2. "Leverage is a double-edged sword". Comment on the statement.
3. Explain speculative motive of holding cash.
4. What is meant by ageing schedule of inventory ?
5. What is dividend decision ?
6. List out the major forms of dividend. **(6×1=6)**

PART – B

Answer **any six** questions. **Each** question carries **2** marks.

7. Distinguish between traditional and modern concept of financial management.
8. Examine the primary role of finance manager in a business.
9. Define finance function.
10. Narrate the concept of arbitrage used in MM theory of capital structure.

P.T.O.

11. Explain financial leverage.
12. Explain stock turnover.
13. Discuss the consequences of having excessive working capital.
14. Narrate working capital cycle. **(6×2=12)**

PART – C

Answer **any four** questions. **Each** question carries **3** marks.

15. What is profit maximization ? What are the arguments against it ?
16. Discuss the pros and cons of high operating leverage.
17. Explain the working of MM approach of capital structure to prove irrelevance theory.
18. From the following information relating to Unity Ltd., estimate its working capital requirement.

Raw materials inventory holding period	: 2 months
Work-in-process inventory	: ₹ 1,00,000
Finished goods inventory holding period	: 1 month
Debtor's collection period	: 2 months
Creditors payment period	: 1.5 months of raw material consumption
Monthly sales	: ₹ 4,00,000
Monthly raw material consumption	: ₹ 3,50,000

19. Calculate EOQ from the following information :

Monthly consumption 300 kg.

Ordering cost per order	Rs. 80
Input cost per kg.	Rs. 45
Holding cost	2%

20. Explain the factors affecting dividend decision in a business. **(4×3=12)**

PART – D

Answer **any two** questions. **Each** question carries **5** marks.

21. Explain wealth maximization concept. Also give your arguments for and against wealth maximization objective of financial management.
22. Given below is the information relating to a company :

Monthly Sales	500 units @ Rs. 60 per unit
Variable cost ratio	60%
Fixed cost	Rs. 64,000
8% Debentures	Rs. 3,00,000
10% Bank Loan	Rs. 60,000

Calculate Operating Leverage, Financial Leverage and Combined Leverage. Also write a brief interpretation about each answer.

23. Explain working capital. Also elaborate the major determinants of working capital.
24. From the following details regarding two companies X Ltd. and Y Ltd.

Particulars	X Ltd.	Y Ltd.
Rate of return	15%	5%
Cost of equity capital	10%	10%
EPS	Rs. 8	Rs. 8

Calculate the value of equity share of these companies applying Walter's formula when dividend payout ratio is :

a) 75%

b) 25%. **(2×5=10)**