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V Semester B.B.A. (Regular) Degree Examination, December/January - 2025/26

BUSINESS ADMINISTRATION

Advanced Corporate Financial Management

(NEP Scheme F+R)

Time : 2½ Hours

Maximum Marks : 60

Instructions to Candidates:

Answers should be written completely in English only.

SECTION - A

Answer any Five of the following questions. Each question carries 2 marks.

(5×2=10)

1. a) Define cost of capital.
- b) What is capital structure.
- c) What is Arbitrage process?
- d) What is decision tree analysis.
- e) Mention any two motives of Holding Cash?
- f) What is dividend policy?
- g) What do you mean by operating cycle?

SECTION - B

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

(4×5=20)

2. MM Ltd. has the following capital structure.

Equity share capital (20,000) shares of Rs. 200 each	Rs.40,00,000
10% preference share capital	Rs. 10,00,000
14% Debentures	Rs. 30,00,000
Total	80,00,0000

The share of the company sells for Rs. 220. It is expected that the company will pay next year a dividend of Rs. 22 per share which will grow at 7% forever. Assume 50% tax rate. Compute the Weighted average cost of capital.

[P.T.O.]



3. There are two firms, A and B which are identical except A does not use any debt in its capital structure while B has Rs. 8,00,000, 9% debentures in its capital structure. Both the firms have an EBIT of Rs. 2,60,000. And the capitalization rate for A firm is 12%. Assuming the corporate tax is 35%. Calculate the value of these firms according to MM Hypothesis.
4. Shreya Ltd. Is considering the purchase of new asset costing Rs. 1,00,000. Cash inflows are expected to be as follows:

Year	Cash inflows
1	50,000
2	62,000
3	30,000
4	80,000

The Risk free rate of return is 6% and risk premium is 4%. The company wants to analyse the decision by using Risk Adjusted Discount Rate (RADR) method. Should the project be accepted?

5. Surya Ltd. provides the following information, compute : Debtors Turnover ratio and Average collection period

Particulars	Amount Rs.
Cash sales during the year	1,50,000
Credit sales during the year	2,70,000
Return inwards	20,000
Trade debtors in the beginning	55,000
Trade debtors in the end	45,000

(Take 360 days in a year and all returns are from credit sales)

6. What is dividend ? Explain the types of Dividend.



SECTION - C

Answer any Two of the following questions. Each question carries 12 marks.

(2×12=24)

7. What is receivables management? Explain the factors influencing the size of receivables.
8. A company has on its books the following amounts and the specific costs of each type of capital.

Type of capital	Book value	Market value	Specific Costs
	Rs.	Rs.	(%)
Debt	4,00,000	3,80,000	5
Preference	1,00,000	1,10,000	8
Equity	6,00,000	8,00,000	12
Retained Earnings	2,00,000	4,00,000	12

Determine the weighted average cost of capital using :

- a) Book value weights
- b) Market value weight
9. The earnings per share of a company are Rs. 80 and the rate of capitalization applicable to the company is 12%. The company has before it an option of adopting a payment ratio of 25% (or) 50% (or) 75%. Using Walter's formula dividend pay - out. Compute market value of the company's share after productivity of retained earnings :
- a) 12%
- b) 8%
- c) 5%

SECTION - D

Answer any One of the following question carries 6 marks.

(1×6=6)

10. List any six Inventory Management Techniques.
11. Calculate the different ratios under receivables management using imaginary figures.
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