

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION MAY 2024  
(Sixth Semester)

Branch – CORPORATE SECRETARYSHIP

FINANCIAL MANAGEMENT

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (5 x 1 = 5)

- 1 The ultimate purpose of financial management is \_\_\_\_\_.  
(i) To get a maximum return (ii) To increase the wealth of owners  
(iii) To have a maximum risk factor (iv) To get a maximum profit
- 2 The Capital Budgeting is related to \_\_\_\_\_.  
(i) Short term assets  
(ii) Long term assets  
(iii) Long term as well as short term assets  
(iv) Fixed assets
- 3 Working capital is also known as \_\_\_\_\_.  
(i) Operating (ii) Projecting  
(iii) Current assets (iv) Operation capital
- 4 Cost of equity share or debt is called \_\_\_\_\_.  
(i) Related cost of capital (ii) Easy to calculate the cost of capital  
(iii) Specific cost of capital (iv) Burden on the shareholder
- 5 The Modigliani-Miller theorem is disregarded by economists because \_\_\_\_\_.  
(i) It is outdated  
(ii) It is unrealistic and euphoric  
(iii) It has been conclusively proven wrong  
(iv) All of the above

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

- 6 a) Describe the basic objectives of financial management.  
OR  
b) State the main aspects of financial planning.
- 7 a) State the kinds of capital investment proposals.  
OR  
b) Explain the Accounting rate of return.
- 8 a) Summarise the dangers of redundant working capital.  
OR  
b) Narrate the importance of working capital.
- 9 a) Explain "Explicit cost" of capital.  
OR  
b) A Company issues 10,000 10% preference shares of 100 each. Cost of issue is Rs 2 per share, Calculate cost of preference capital if these shares are issued  
a) at Par b) at Premium of 10% c) at a discount of 5%.

Cont...



10 a) Explain about optimum capital structure.

OR

b) The capital structure of ABC limited consists of equity share capital of Rs.1,00,000( 10,000 Shares of rs.10 each) and 8% debentures of Rs.50,000. You are required to calculate and verify the degree of financial leverage on earnings before interest and tax(EBIT) level of Rs.20,000.

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

11 a) Elucidate the need of financial decision planning.

OR

b) Explain the functional area of financial management

12 a) Discuss the merits of pay-back as a technique for the appraisal of investment worth.

OR

b) Explain discounted cash flow methods. How it is examined?

13 a) Enumerate the factors determining working capital.

OR

b) Interpret the consequences of overtrading.

14 a) Elucidate the factors determining cost of capital.

OR

b) Calculate degree of (i) operating leverage (ii) financial leverage and (iii) Combined leverage from the following data:  
Sales 100000 units @ Rs.2 per unit = Rs.2,00,000  
Variable cost per units @ Re.0.70  
Fixed Costs Rs.1,00,000  
Interest charges Rs.3668

15 a) Discuss the features of capital structure.

OR

b) From the following data, find out the value of each firm as per the MMA:

	Firm A	Firm B	Firm C
EBIT	Rs13,00,000	Rs13,00,000	Rs13,00,000
Number of shares	3,00,000	2,50,000	2,00,000
12% Debentures		9,00,000	10,00,000

Every firm expects 12% return on investment.

Z-Z-Z

END