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PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION MAY 2025
(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. Define the primary goal of financial management?
   a) To minimise the risk b) To maximise the owner's wealth
   c) To maximise the return d) To raise profit

2. ______CAPM stands for
   a) Capital asset pricing model b) Capital amount printing model
   c) Capital amount pricing model d) Capital asset printing model

3. The cost of equity share or debt is known as __________.
   a) The specific cost of capital b) The related cost of capital
   c) The burden on the shareholder d) None of the above

4. _______ is the rate of return for the most viable investment opportunity for a company that they will forgo by selecting any other project.
   a) Implicit cost b) Specific cost
   c) Explicit cost d) Opportunity cost

5. Capital Structure refers to which of the following options:
   a) Current assets and current liabilities
   b) Shareholders equity
   c) Long term debt, preferred stock and common stock options
   d) None of the above

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6. (a) Explain the functions of Financial Management.

(OR)

(b) Describe the goals of Business Finance.

7. (a) Explain the importance of capital budgets.

(OR)

(b) From the following details, calculate the NTU of a capital investment project:
Initial Capital Investment – Rs. 2,40,000
useful economic life of the project – 4year's
year – end Annual Cash Inflows – Rs. 80,000
Cost of Capital – 10%
Rate of Interest on Reinvestment – 8%.

8. (a) Explain various factors influencing working capital requirements.

(OR)

(b) Prepare an estimate of working capital requirements from the following information of a trading concern:
(a) Projected Annual Sales 1,00,000
(b) Selling Price Rs.8 per unit
(c) Profit Margin on Sales 25%
(d) Average Credit Period Allowed to Customers 8 weeks
(e) Average Credit Period Allowed by Suppliers 4 weeks
(f) Average Stock Holding in terms of Sales Requirement 12 weeks
(g) Allow 10% for Contingencies.

Cont....

9. (a) The shares of a company are selling at Rs.40 per share and it had paid a dividend of Rs.4 per share last year. The investor's market expects a growth rate of 5% per year.
i) Compute the company's equity cost of capital
ii) If the anticipated growth rate is 7% per annum, calculate the indicated market price per share.

(OR)

(b) Let us suppose that a firm has 20% debt and 80% equity in its capital structure. The Cost of debt and the cost of equity are assumed to be 10% and 15% respectively. What Is the overall cost of capital, according to the traditional approach?

10 (a) Explain the value of shares under constant growth model.

(OR)

(b) Show the use of capital asset pricing model (capm) in the valuation of shares.

SECTION -C (30 Marks)

Answer any **Three** questions
ALL questions carry **EQUAL** Marks (3 x 10 = 30)

11. Enumerate the Principles of financial management.

12. Prepare a Flexible budget for overheads on the basis of the following data. Ascertain the overhead rates at 50% and 60% capacity.

Variable overheads: At 60% capacity	(Rs)
Indirect Material	6,000
Labour	18,000
Semi-variable overheads:	
Electricity: (40% Fixed & 60% variable)	30,000
Repairs: (80% fixed & 20% Variable)	3,000
Fixed overheads: Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct labour hours	1,86,000

13. The following annual figures relate to XYZ Co., Sales (at 2 months' credit) Rs.36,00,000, Materials consumed (suppliers extend two months' credit) Rs.9,00,000, Wages paid (1 month lag in payment) Rs.7,20,000 Cash Manufacturing expenses (1 month lag in payment) Rs.9,60,000 Administrative expenses (cash 1 month lag in payment) Rs.2,40,000 Sales promotion expenses (paid quarterly in advance) Rs.1,20,000 The company sells its products on gross profit 25%. Depreciation is considered as a part of the cost of production. It keeps one month's stock each of raw materials and finished goods and a cash balance of Rs.1,00,000. Assuming a 20% safety margin, ignore work-in-process. Find out the requirements of working capital of the company on cash cost basis.

14. Discuss the relationship between the cost of equity and financial leverage in accordance with modigilani miller proposition II.

15. A simplified income statement of Zenith Ltd. is given below. Calculate and interpret its degree of operating leverage, degree of financial leverage and degree of combined leverage. Income statement of Zenith Ltd., for the year ended 31st March 2017.

	Amount Rs.
Sales	10,50,000
Variable cost	7,67,000
Fixed cost	75,000
EBIT	2,08,000
Interest	1,10,000
Taxes(30%)	29,400
Net Income	68,600

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