

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)  
BCom DEGREE EXAMINATION MAY 2025  
(Fifth Semester)

Common to Branches – COMMERCE (A&F) / COMMERCE (FS)

**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 concept of Financial management is
  - (i) Profit maximization
  - (ii) All features of obtaining and using financial resources for company operations
  - (iii) Organization of funds
  - (iv) Effective Management of every company
2. Which of the following is the term that describes the amount of time taken for a capital budgeting project to recover its initial investment?
  - (i) Investment period
  - (ii) Redemption period
  - (iii) Payback period
  - (iv) Maturity period
3. Which of the following methods involves computing the cost of capital by dividing the dividend by market price/net proceeds per share?
  - (i) Adjusted price method
  - (ii) Price earning method
  - (iii) Dividend yield method
  - (iv) Adjusted dividend method
4. Which of these is not a part of Capital Structure?
  - (i) Equity Shares
  - (ii) Debentures
  - (iii) Short-term borrowings
  - (iv) Bonds
5. What does Working capital management, manage?
  - (i) long term assets
  - (ii) long term liabilities
  - (iii) short term assets and liabilities
  - (iv) only short-term liabilities

**SECTION - B (15 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. a. Outline the objectives of financial management.  
OR  
b. Discuss the approaches to financial management.
7. a. What is the present value of Rs 1, 000 received in two years if the interest rate is?  
(a) 12% per year discounted annually  
OR  
b. Explain the technique of compounding.
8. a. Janaki Ltd issued 12,000 10% Debentures of Rs 100 each a par. The tax rate is 50%. calculate before tax and after tax cost of debt.  
OR  
b. Explain the significance of cost of capital.
9. a. X Limited has given the following information:

Rs

Sales	10,00,000
Variable costs	6,00,000
Fixed cost	1,50,000
Interest	75,000

Calculate the degree of combined leverage from the above data.

OR

- b. Outline the types of leverages.

Cont...

- 10.a. The following forecasts are provided in respect of Ellis Ltd for the year 2009

	Rs
Sales	13, 50,000
Purchases	9, 00,000
Cost of goods sold	9, 15,000
Average debtors	1, 50,000
Average creditors	80,000
Average stock	1, 52,000

Find out the cash operating cycle given that all sales and purchases are made on credit.

OR

- b Outline the types of working capital.

### SECTION -C (30 Marks)

Answer any **Three** questions

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

11. Highlight the methods and tools of financial management.

12. A company is considering whether to purchase a new machine. Machines A and B are available for \$80,000 each. Earnings after taxation are as follows:

Year	Machine A(RS)	Machine B(Rs)
1	24,000	8,000
2	32,000	24,000
3	40,000	32,000
4	24,000	48,000
5	16,000	32,000

Evaluate the two alternatives using the following: (a) payback method b) rate of return on investment method, and (c) net present value method. You should use a discount rate of 10%.

13. A firm issues debenture of Rs 1, 00,000 and realizes Rs 98,000 after allowing 2% commission to brokers. Debentures carry interest rate of 10%. The debentures are due for maturity at the end of 10<sup>th</sup> year at par. calculate cost of debt.
- 14 Dewey LTD has EBIT of RS 4, 50, 000. The cost of debt is 10% and the outstanding debt is RS 12, 00,000. The overall capitalization rate (ko) is 15%. Calculate the total value of the firm and equity rate under NOI approach.
- 15 From the following information extracted from the books of a manufacturing company, compute the operating cycle in days; Period covered; 365 days

Average period of credit allowed by suppliers; 16 days

particulars	Rs
Average total of debtors outstanding	4,80,000
Raw materials consumption	44,00,000
Total production cost	1,00,00,000
Total cost of sales	1,05,00,000
Sales for the year	1,60,00,000
Value of Average Stock maintained Raw materials	3,20,000
Work in progress	3,50,000
Finished goods	2,60,000

Z-Z-Z

END