22HAP211BN

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MSc DEGREE EXAMINATION MAY 2025
(Second Semester)

Branch – **HOSPITAL ADMINISTRATION**

MAJOR ELECTIVE COURSE – I FINANCIAL MANAGEMENT

Time: Three Hours Maximum: 75 Marks

SECTION-A (10 Marks)
Answer ALL questions
ALL questions carry **EQUAL** marks (10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	The ultimate purpose of Financial management is: a) to get a maximum return b) to increase the wealth of owners c) to have a maximum risk factor d) to get a maximum profit	K1	CO1
	2	Which of the following is not a promoter in OTCEI: a) IDBI b) GIC c) UTI d) Merchant Bankers	K2	CO1
2	3	In deciding the appropriate level of current assets for the firm, management is confronted with ____________ a) A trade-off between profitability and risk b) A trade-off between liquidity and marketability c) A trade-off between equity and debt d) Trade-off between current assets & profitability	K1	CO2
	4	Which of the following is not an element of credit policy? a) Credit Terms b) Collection Policy c) Cash Discount Terms d) Sales Price	K2	CO2
3	5	The mix of debt and equity in a firm is referred to as the firm's _______. a) Primary capital b) Capital composition. c) Cost of capital d) Capital structure	K1	CO3
	6	______ is one that maximizes value of business, minimizes overall cost of capital, that is flexible, simple and futuristic, that ensures adequate control on affairs of business by the owners and so on. a) Minimal capital structure b) Moderate capital structure c) Optimal capital structure d) Deficit capital structure	K2	CO3
4	7	If a company issues bonus shares the debt equity ratio _______. a) Remain unaffected b) Will be affected c) Will improve d) Neutral	K1	CO4
	8	A decrease in a firm's willingness to pay dividends is likely to result from an increase in its ________. a) Earnings stability b) Access to capital markets c) Profitable investment opportunities d) Collection of accounts receivable	K2	CO4
5	9	The project can be selected if its profitability index is more than ______ a)1% b)3% c)5% d)10%	K1	CO5
	10	A project costs Rs, 1,00,000 annual cash flow of Rs. 20,000 for 8 years. It's payback period is ____________ a) 1 year b) 2 years c) 3 years d) 5 years	K2	CO5

SECTION - B (35 Marks)
Answer ALL questions
ALL questions carry **EQUAL** Marks (5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Examine the objectives of Financial Management.	K4	CO1
		(OR)		
	11.b.	Distinguish Money Market from Capital Market.		

Cont...

2	12.a.	Identify the factors determining working capital requirements.	K3	CO2
		(OR)		
	12.b.	Analyze and write the short notes on cash management.		
3	13.a.	Appraise the Net Income Approach of Capital structure.	K5	CO3
		(OR)		
	13.b.	A company offers for public subscription, equity shares of Rs.10 each at a premium of 10%. The company pays 5% of the issue price as underwriting commission. The rate of dividend expected by the equity share holders is 20%. You are required to calculate the cost of equity capital.		
4	14.a.	Elaborate the provisions regarding the issue of Bonus shares by a company.	K6	CO4
		(OR)		
	14.b.	Discuss the factors affecting the dividend policy of a company.		
5	15.a.	Explain Internal Rate of Return and its criterion to accept / reject a project.	K6	CO5
		(OR)		
	15.b.	Illustrate Payback Method of capital budgeting with an example.		

SECTION -C (30 Marks)

Answer **ANY THREE** questions

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

Module No.	Question No.	Question	K Level	CO
1	16	Explain the role of SEBI towards Capital Market reforms.	K5	CO1
2	17	ANE (P) Ltd., desirous to purchase a business and has consulted you to work out the average working capital requirement: i. Average amount locked up for the stocks: Stock of finished goods Rs. 5,000 Stock of stores, materials etc. Rs. 8,000 ii. Average credit given: Inland sales: 6 weeks credit Rs. 3,12,000 Export sales: 1 ½ weeks Rs. 78,000 iii. Lag in payment of expenses: Wages: 1 ½ weeks Rs. 2,60,000 Stores, Materials etc.: 1 ½ months Rs. 48,000 Rent: 6 months Rs. 10,000 Salaries: ½ month Rs. 67,200 Sundry expenses: 1 ½ months Rs. 48,000 Estimate working capital required.	K4	CO2
3	18	Define capital structure and assess the factors which are influencing capital structure?	K5	CO3
4	19	Compile the various sources of finance available to a private limited company, which is registered in India.	K6	CO4
5	20	A company is considering an investment proposal to install a new machine. The project will cost Rs.50,000 and will have a life of 5 years and no salvage value. The company's tax rate is 50% and no investment allowance is allowed. The firm uses straight line method of depreciation. The estimated net income before depreciation and tax from the proposed investment proposal is as follows: (see table below) Compute the following: (i) Payback period; and (ii)Net present value;	K6	CO5

Year	Net Income (Rs)	PV Factor at 10%
1	10,000	0.909
2	11,000	0.826
3	14,000	0.751
4	15,000	0.683
5	25,000	0.621

Z-Z-Z END