TOTAL PAGES: 3
23COU521AN

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2025
(Fifth Semester)

Branch – **COMMERCE**

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	Financial management is primarily concerned with a) Efficient management of the business b) Procurement and utilization of finance c) Arrangement of funds d) Better utilization of source	K1	CO1
	2	The basic objective of financial management is a) Wealth maximization b) Profit maximization c) Increasing sales volume d) Maximizing net present value	K2	CO1
2	3	Present value of a future cash flow is a) Higher than the future cash flow b) Equal to the future cash flow c) Lower than the future cash flow d) None of the above	K1	CO2
	4	The simplest capital budgeting technique is a) NPV Method b) Payback Method c) ARR Method d) IRR Method	K2	CO2
3	5	The discount rate at which present value of cash inflows is equal to the present value of cash outflows is called a) Implicit cost b) Explicit cost c) Composite cost d) Compound cost	K1	CO3
	6	Overall cost of capital is also known as a) Weighted average cost of capital b) Marginal cost of capital c) Specific cost of capital d) Average cost of capital	K2	CO3
4	7	The use of long term debt and preference share capital, along with owner's equity is called a) Combined leverage b) Operating leverage c) Financial leverage d) All of the above	K1	CO4
	8	The capital structure which maximizes the value of a firm is called a) Dynamic capital structure b) Low generated capital structure c) Optimum capital structure d) High generated capital structure	K2	CO4
5	9	The cost incurred for maintaining a given level of inventory is referred to as a) Operating cost b) Ordering cost c) Carrying cost d) Direct cost	K1	CO5
	10	A firm with a liberal credit policy will have a a) Low level of receivables b) High level of receivables c) Medium level of receivables d) Optimum level of receivables	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.	Discuss about scope of finance function.	K2	CO1
		(OR)		
	11.b.	Explain the approaches of Financial Management.		

Cont...

2	12.a.	Kalpana excepts to receive Rs.6,000 at the beginning of every year for 4 years. Find out the present value of the future receipts if the rate of interest is 10%.	K3	CO2
		(OR)		
	12.b.	A project cost Rs.5,00,000 and yields annually a profit of Rs.80,000 after depreciation at 12% p.a. but before tax 50%. Calculate pay back period.		
3	13.a.	Jayasurya Ltd., issued Rs.60,000 10% debentures at a discount of 5%. The issue expenses were Rs.2,000. Assuming a tax rate of 40%, compute the before tax and after tax cost of debt.	K3	CO3
		(OR)		
	13.b.	A company's cost of equity capital (Ke) is 15%. The average tax rate of shareholders is 40% and the brokerage cost for purchase of securities is 2% Calculate the cost of retained earnings.		
4	14.a.	Calculate the operating financial and combined leverages from the following information. Sales Rs.50,000 Variable costs Rs.25,000, Interest Rs.5,000 Fixed costs Rs.15,000	K4	CO4
		(OR)		
	14.b.	Peacock Ltd. Has earnings before taxes and interest (EBIT) of Rs.72,000. It expects a return on investment of 12%. Find out the value of the firm according to the Modigliani – Miller (M-M) approach.		
5	15.a.	Monthly cash requirements Rs.60,000 Fixed cost per transaction Rs.10 Interest rate on marketable securities 6% p.a. You are required to calculate optimum cash balance.	K4	CO5
	(OR)			
	15.b.	A company sells goods on cash as well as on credit. The following particular are extracted from the book of the company. Gross Sales Rs.4,00,000 Cash Sales Rs.80,000 Sales returns Rs.28,000 Debtors at the end Rs.36,000 Bills Receivables at the end Rs.8,000 Provision for Doubtful debts Rs.3,000		

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	Examine the objective of wealth maximization is superior to profit maximization.	K3	CO1
2	17	Project X initially costs Rs.25,000. It generates the following cash inflows: Year / Cash inflows / Present Value of Re.1 at 10% 1 / Rs.9,000 / 0,909 2 / Rs.8,000 / 0.826 3 / Rs.7,000 / 0.751 4 / Rs.6,000 / 0.683 5 / Rs.5,000 / 0.621 Taking the cut – off rate as 10%, suggest whether the project should be accepted or not.	K3	CO2
3	18	Sri Ram Industries Ltd issued 10,000 10% debentures of Rs.100 each. The tax rate is 50%. Calculate the before tax and after tax cost of debt if the debentures are issued a. at par b. at a premium of 10% c. at a discount of 10%	K4	CO3

4	19	Alpha Company Ltd., has an all equity capital structure consisting of 20,000 equity shares of Rs.100 each. The management plans to raise Rs.30 lakhs to finance a programme of expansion. Three alternative methods of financing are under consideration, i. Issue of 30,000 new shares of Rs.100 each ii. Issue of 30,000 8% debentures of Rs.100 each iii. Issue of 30,000 8% preference shares of 100 each The company's expected earnings before interest and taxes (EBIT) are Rs.10 lakhs. Determine the earnings per share in each alternative assuming a corporate tax rate of 50%. Which alternative is best and why?	K5	CO4
5	20	Godrej Company sells goods in the home market and earns a gross profit of 20% on sales. Its annual figures are as follows: Sales 3,00,000 Materials used 1,08,000 Wages 96,000 Manufacturing expenses 30,000 Administrative expenses 1,20,000 Depreciation 12,000 Selling expenses 18,000 Income tax payable in two installments Of which one falls in the next year 30,000 Additional information: a. Credit given by suppliers – 2 months b. Credit allowed to customers – 1 month c. Lag in payment of wages -1/2 month d. Lag in payment of administrative expenses – 1 month e. Selling expenses are paid quarterly in advance f. Raw materials and finished goods are in stock for 1 month g. Cash balance estimated to be maintained at Rs.30,000 You are required to prepare a statement of working capital requirement.	K4	CO5

Z-Z-Z END