

**PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)**

**BCom DEGREE EXAMINATION DECEMBER 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. Business finance deals with which of the following?
 - A) Utilize funds efficiently
 - B) Procuring funds from different sources on fair terms
 - C) Both of these
 - D) None of these

2. A project's profitability index is equal to the ratio of the _____ of a project's future cash flows to the project's _____.
 - A) Present value; initial cash outlay
 - B) Net present value; initial cash outlay
 - C) Present value; depreciable basis
 - D) Net present value; depreciable basis

3. _____ working Capital refers to the firm's investment in current assets.
 - A) Zero
 - B) Net
 - C) Gross
 - D) Distinctive

4. Which is the importance of the concept of cost of capital?
 - A) Dividend decision
 - B) Helpful in Capital structure decisions
 - C) Not Helpful in Capital budgeting process
 - D) None of the above

5. Degree of Combined leverage can be obtained by
 - A) EBIT + Fixed Costs/EBIT - Total Interest Expense
 - B) EBT/Sales
 - C) Sales/Contribution x 100
 - D) Sales/Cash x 100

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. a) Explain the nature and scope of financial management.
(OR)
b) What are the objectives of financial management?

7. a) What are the importance of capital budgeting?
(OR)
b) Explain the kinds of capital investment proposals.

Cont...

8. a) What are the determinants of working capital?
(OR)
b) What are the kinds of working capital?

9. a) Explain the significance of cost of capital?
(OR)
b) A 5- Year Rs 100 debenture of a firm can be sold for a net price of Rs 96.50. The coupon rate of interest is 14% per annum, and the debenture will be redeemed at 5% premium on maturity. The firm's tax rate is 40%. Compute the after-tax of debenture.

10. a) Name various theories of capital structure.
(OR)
b) A simplified income statement of Kumar Ltd. is given below. Calculate and interpret its degree of operating leverage, degree of financial leverage and degree of combined leverage.
Income statement of Kumar Ltd. for the year ended 31st March 2005

	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

SECTION -C (30 Marks)

Answer any Three questions

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

11. What are the various functional areas of financial management?

12. Enumerate the factors affecting the capital investment decisions.

13. Prepare an estimate of working capital requirement from the following information of a trading concern:

Project annual sales	1,00,000units
Selling price	Rs.8 per unit
Percentage of net profit on sales	25%
Average credit period allowed to customers	8 weeks
Average credit period allowed by suppliers	4 weeks
Average stock holding in terms of sales required	12 weeks
Allow 10% for contingencies	

14. What are the importance of cost of capital? Discuss the problems in determining it.

15. Explain the factors determining of capital structure.