PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2025
(Fifth Semester)

Branch - **COMMERCE (FINANCIAL SYSTEM)**

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	What is the basic objective of financial management? a) Maximization of profit b) Maximization of shareholders wealth c) Maximization of dividends d) To maximize the risk	K1	CO1
	2	What is ignored in profit maximization a) Time value of money b) Risk c) Net value d) Wealth	K2	CO1
2	3	Why money has time value? a) Money in hand today is more certain than money to be got tomorrow b) The value of money gets discounted as time goes by c) The value of money gets compounded as time goes by d) Both a and b	K1	CO2
	4	A project has investment of Rs.1,20,000 and yield annual cash inflow of Rs.12,000 for 12 years. Find out pay back period. a) 15 years b) 10 years c) 19 years d) 17 years	K2	CO2
3	5	What is cost of capital of a firm? a) The minimum rate of return expected by its investors b) The maximum rate of return expected by its investors c) The marginal cost of capital d) None of the above	K1	CO3
	6	Which of the following has the highest cost of capital? a) Equity shares b) loans c) Bonds d) Preference shares	K2	CO3
4	7	EBIT stands for a) Earnings before interest but after tax b) Earnings before income and tax c) Earnings before interest and tax d) Earnings before tax but after interest	K1	CO4
	8	Which of the following is a study with the help of operating leverage? a) Business risk b) Financing risk c) Production risk d) Credit risk	K2	CO4
5	9	Which of the following is related to receivables management? a) cash Budget b) Economic Order Quantity c) Ageing Schedule d) All of the above	K1	CO5
	10	The primary objectives of working capital management is to a) Increase sales b) Maximize profit c) Ensure operational efficiency and liquidity d) minimize tax	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.	Explain the objectives of Financial Management.	K4	CO1
		(OR)		
	11.b.	Outline the functional areas of financial management.		

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2	12.a.	A company offers 12 Per cent of interest on deposits. What is the effective rate of interest if the compounding is done (i) half yearly, (ii) quarterly, and (iii) monthly?	K5	CO2
		(OR)		
	12.b.	For each of the following projects compute: (i) Pay back period (ii) Post-back profitability and (iii) Post pay back profitability Index (1) Initial Outlay Rs.50,000 Annual Cash inflow(after tax but before depreciation) Rs.10,000 Estimated Life 8 Years (2) Initial Outlay Rs.50,000 Annual Cash inflow(after tax but before depreciation) First three years Rs.15,000 Next Five years Rs.5,000 Estimated Life 8 Years Salvage Rs.8,000		
3	13.a.	A company issues 10,000 10% Preference shares of Rs.100 each. Cost of issue is Rs.2 per share. Calculate cost of preference capital if these shares are issued (i) at par, (ii) at a premium of 10%, and (iii) at a discount of 5%.	K4	CO3
		(OR)		
	13.b.	Explain the significance of cost of capital.		
4	14.a.	A firm has sales of Rs.20,00,000, variable cost of 14,00,000 and fixed costs of Rs.4,00,000 and debt of Rs. 10,00,000 at 10% rate of interest. What are the operating, financial and combined leverages? If the firm wants to double its Earnings Before Interest and Tax (EBIT) how much of a rise in sales would be needed on a percentage basis?	K5	CO4
		(OR)		
	14.b.	What are the assumptions of Modigliani and Miller Approach?		
5	15.a.	Prepare an estimate of working capital requirement from the following information of a trading concern: (i) Projected annual sales 1,00,000 units (ii)Selling price Rs.8 per unit (iii) % of net profit on sales. 25% (iv)Average credit period allowed to customers 8 weeks (v)Average credit period allowed by suppliers 4 weeks (vi) Average stock holding in terms of sales requirement 12 weeks (vii) Allow 10% for contingencies.	K6	CO5
		(OR)		
	15.b.	Discuss the sources of working capital.		

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	Identify the role of finance manger in the changing scenario of financial management.	K4	CO1

2	17	A company is considering investment in a project that costs Rs.2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The company's tax rate 40%. The estimated earnings before depreciation and before tax from the project are as follows: **Year** / **EBDT (Rs.)** / **PV@10%** 1 / 70,000 / 0.909 2 / 80,000 / 0.826 3 / 1,20,000 / 0.751 4 / 90,000 / 0.683 5 / 60,000 / 0.621 You are required to calculate the net present value at 10% and advise the company.	K5	CO2
3	18	Calculate the cost of debt in each of the following situations: (i) Debentures are sold at par and flotation costs are 5%. (ii) Debentures are sold at a premium of 5% and floatation costs are 5% of the issue price. (iii) Debentures are sold at a discount of 10% and floatation cost are 5% of the issue price. Coupon are of interest is 10% and face value of debenture is Rs.100. Maturity period is 5 years and tax rate of the company is 40%.	K4	CO3
4	19	A company has sales of Rs. 10,00,000. The variable costs are 40% of the sales while the fixed operating costs amount to Rs. 3,00,000. The amount of interest on long-term debt is Rs.1,00,000. You are required to calculate the Operating, Financial and composite leverages and illustrate its impact if sales increased by 5%.	K5	CO4
5	20	A Proforma cost sheet of a company provides the following particulars: **Elements of Cost** / **Amount Per Unit (Rs.)** Raw Material / 80 Direct Labour / 30 Overheads / 60 Total Cost / 170 Profit / 30 Selling Price / 200 The following further particulars are available: Raw materials are in stock on an average for one month. Work-in-process on an average for half a month. Finished goods are in stock on an average for one month. Credit allowed by suppliers is one month. Credit allowed to customers is two months. Lag in payment of wages is 1 ½ weeks. Lag in payment of overhead expenses is one month. One-fourth of the output is sold against cash. Cash in hand and at bank is expected to be Rs.25,000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.	K6	CO5

Z-Z-Z END