23MSU417N/23ISU420N/ 23RMU417N/23BLU416R

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BBA DEGREE EXAMINATION MAY 2026
(Fourth Semester)

Common to Branches – **BUSINESS ADMINISTRATION/BUSINESS ADMINISTRATION (INFORMATION SYSTEM)/ BUSINESS ADMINISTRATION (RETAIL MANAGEMENT)/BUSINESS ADMINISTRATION (LOGISTICS)**

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 primary objective of Financial Management? a) Maximizing sales b) Maximizing profit c) Maximizing wealth of shareholders d) Minimizing cost	K1	CO1
	2	What does Time Value of Money emphasize? a) Money today is less valuable than future money b) Money today and future money are equal c) Money today is more valuable than the same amount in the future d) Money has no time value	K2	CO1
2	3	The cost of equity can be best described as: a) The return required by preference shareholders b) The minimum return expected by equity investors c) The interest paid to debt holders d) The average cost of retained earnings	K1	CO2
	4	Capital budgeting techniques such as NPV and IRR are based on: a) Historical costs b) Future costs only c) Discounted cash flows d) Accounting profits	K2	CO2
3	5	Financial leverage arises mainly due to the presence of: a) Equity capital b) Preference capital c) Debt capital d) Retained earnings	K1	CO3
	6	According to MM Hypothesis (without taxes), the value of a firm is: a) Affected by its dividend policy b) Independent of its capital structure c) Dependent on retained earnings d) Influenced only by equity financing	K2	CO3
4	7	Walter's Model suggests that dividend decisions depend mainly on: a) Capital structure b) Retained earnings and rate of return c) Market share of the company d) Debt-equity ratio	K1	CO4
	8	A determinant of dividend policy that relates to future expansion is: a) Cash position b) Capital market conditions c) Investment opportunities d) Current earnings	K2	CO4
5	9	The main objective of Working Capital Management is to: a) Increase long-term profitability b) Ensure short-term liquidity and operational efficiency c) Reduce fixed capital investment d) Maximize dividend payout	K1	CO5
	10	Inventory management primarily aims to: a) Maximize raw material purchase b) Minimize holding and shortage costs c) Increase finished goods stock d) Eliminate credit sales	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.	K1	CO1
		(OR)		
	11.b.	List out the scope of financial management.	K2	
2	12.a.	A project has an initial investment of Rs.2,00,000. It will produce cash flows after tax of Rs.50,000 per annum for six years. Compute the payback period for the project.	K3	CO2
		(OR)		
	12.b.	Project K requires an investment of Rs.20 lakh and yielding profits after tax and depreciation as follows: Year 1 2 3 4 5 Profits after tax &Depreciation 1,00,000 1,50,000 2,50,000 2,60,000 1,60,000 At the end of 5th year, the plant can be sold for Rs 1,60,000. you are required to calculate ARR.		

Cont…

3	13.a.	Explain the various types of leverage.	K3	CO3
		(OR)		
	13.b.	Find out degree of operating leverage from the following data: RS EBIT (2005) 40.000 Sales (2005) 20,000 units EBIT (2006) 50,000 Sales (2006) 28,000 units		
4	14.a.	Describe the factor that influence the dividend policy of a firm	K4	CO4
		(OR)		
	14.b.	The earnings per share of Nadal Ltd. are Rs. 15 and the rate of return applicable to the company is 12%. The productivity of earnings (r) is also 12%. The cost of capital applicable to the company is 12%. Compute the market value of the company's share if the payout ratio is (i) 20% (ii) 50% (iii) 70%. Which is the optimum payout?		
5	15.a.	Rose Ltd. is engaged in customer retailing. You are required to estimate its working capital requirements from the following data: Projected annual sales | Rs. 9,00,000 Percentage of net profit to cost of sales | 20% Average credit allowed to debtors |1 month Average credit allowed by creditors | 2 months Average stock carrying (in terms of sales requirements) | 2 ½ months Add 10% to allow for contingencies.	K5	CO5
		(OR)		
	15.b.	Analyse the determinates of working capital requirement.		

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 main functions of financial management.	K3	CO1
2	17	An investment of Rs. 10,000 (having scrap value of Rs. 500) yields the following returns: Year 1 2 3 4 5 CFAT 4,000 4,000 3,000 3,000 2,500 The cost of capital is 10%. Is the investment desirable? Discuss it according to NPV method assuming the P. V. factors for 1st, 2nd, 3rd, 4th and 5th year. 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.	K3	CO2
3	18	The following figures relate to two companies. You are required to (a) calculate the operating, financial and combined leverages of the two companies and (b) comment on their relative risk position. | | X Ltd Rs | Y Ltd Rs | Sales | 4,00,000 | 8,00,000 Less: Variable Cost | 1,60,000 | 2,40,000 Contribution | 2,40,000 | 5,60,000 Less: Fixed Cost | 1,28,000 | 2,80,000 Operating profit EBIT | 1,12,000 | 2.80,000 Less: Interest | 48,000 | 1,20,000 Profit before tax | 64,000 | 1,60,000	K4	CO3
4	19	Du Preez Ltd. gives you the following information: Earnings per share : Rs. 45 Cost of capital: 18% Return on investment: 18% Ascertain the market value per share using Gordon's Model, if the payout is a) 30%, b) 60%, c) 90%	K4	CO4
5	20	Determine the working capital requirements of a company from the information given below: Operating cycle components: Raw materials = 60 days W.I.P = 45 days Finished goods = 15 days Debtors = 30 days Creditors = 60 days Annual turnover = 73 lakh; Cost structure (as % of sale price) is Materials 50%, Labour 30%, Overheads 10% and Profit 10%. Of the overheads, 30% constitute depreciation. Desired cash balance to be held at all times: Rs. 3 lakh.	K5	CO5

Z-Z-Z END