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PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION MAY 2026
(Sixth Semester)

Branch – **CORPORATE SECRETARYSHIP**

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	List the main objective of financial management. (i) Wealth maximization (ii) Employee satisfaction (iii) Market expansion (iv) Product innovation	K1	CO1
	2	Rephrase the objective of financial planning in simple terms. (i) To ensure the right amount of funds are available at the right time. (ii) To avoid investments. (iii) To eliminate managers. (iv) To focus only on payroll.	K2	CO1
2	3	Name one traditional appraisal method. (i) Internal Rate of Return (IRR) (ii) Net Present Value (NPV) (iii) Profitability Index (iv) Payback period	K1	CO2
	4	Rephrase the meaning of capital budgeting in simple terms. (i) Deciding where to invest money for long-term returns. (ii) Avoiding investments. (iii) Eliminating managers. (iv) Focusing only on payroll.	K2	CO2
3	5	How does forecasting help management? (i) It predicts fund needs for smooth operations (ii) It eliminates competition (iii) It guarantees profits (iv) It reduces taxation	K1	CO3
	6	Outline working capital. (i) Fixed assets minus liabilities (ii) Total assets minus equity (iii) Current assets minus current liabilities (iv) Cash plus reserves only	K2	CO3
4	7	Show why weights are used in WACC computation. (i) To reflect the proportion of each source in capital structure (ii) To simplify calculations only (iii) To ignore risk factors (iv) To reduce taxation	K1	CO4
	8	Interpret the role of tax benefits in cost of debt. (i) Taxes increase cost of debt. (ii) Interest is tax-deductible, reducing effective cost of debt. (iii) Taxes eliminate debt financing. (iv) Taxes ignore profitability.	K2	CO4
5	9	Why is leverage significant? (i) It guarantees profits (ii) It eliminates taxation (iii) It shows risk-return trade-off in financing and operations (iv) It reduces competition	K1	CO5
	10	Outline the key factors determining capital structure. (i) Payroll, taxation, compliance only (ii) Avoiding investments and planning (iii) Eliminating shareholder interests (iv) Cost of capital, risk, control, flexibility, market conditions	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 scope of financial management.	K2	CO1
		(OR)		
	11.b.	Explain the principles of financial planning.		
2	12.a.	Explain the importance of capital budgeting.	K5	CO2
		(OR)		
	12.b.	Project Y has an initial investment of Rs. 5,00,000. Its cash flows for 5 years are Rs. 1,50,000, Rs. 1,80,000, Rs. 1,50,000, Rs. 1,32,000 and Rs. 1,20,000. Determine the payback period.		

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<table>
<tr><td rowspan="3">3</td><td>13.a.</td><td>Identify the advantages of adequate working capital.</td><td rowspan="3">K3</td><td rowspan="3">CO3</td></tr>
<tr><td></td><td>(OR)</td></tr>
<tr><td>13.b.</td><td>From the following information, identify the working capital requirement of ‘P’ Ltd.
<table>
<tr><td>Project annual sales</td><td>Rs. 6,50,000</td></tr>
<tr><td>% of N.P. to cost of sales</td><td>25%</td></tr>
<tr><td>Average credit allowed to debtors</td><td>10 weeks</td></tr>
<tr><td>Average credit allowed by creditors</td><td>4 weeks</td></tr>
<tr><td>Average stock carrying (in terms of sales requirement)</td><td>8 weeks</td></tr>
</table>
Add 20% to allow for contingencies.</td></tr>
<tr><td rowspan="3">4</td><td>14.a.</td><td>Explain the importance of cost of capital.</td><td rowspan="3">K2</td><td rowspan="3">CO4</td></tr>
<tr><td></td><td>(OR)</td></tr>
<tr><td>14.b.</td><td>Malaiya Ltd issued 60,000 15% irredeemable preference shares of Rs. 100 each. The issue expenses were Rs. 60,000. Show the cost of preference capital if shares are issued (a) at par, (b) at a premium of 10% and (c) at a discount of 5%.</td></tr>
<tr><td rowspan="3">5</td><td>15.a.</td><td>What do you mean by operating leverage? Recall its significance.</td><td rowspan="3">K1</td><td rowspan="3">CO5</td></tr>
<tr><td></td><td>(OR)</td></tr>
<tr><td>15.b.</td><td>A firm has a sales of Rs. 20,00,000. Its variable cost is Rs. 14,00,000 and fixed cost Rs. 4,00,000 and debt is Rs. 10,00,000 at 10% rate of interest. Find out the leverages.</td></tr>
</table>

SECTION -C (30 Marks)

Answer **ANY THREE** questions

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

<table>
<tr><th>Module No.</th><th>Question No.</th><th>Question</th><th>K Level</th><th>CO</th></tr>
<tr><td>1</td><td>16</td><td>Examine the objectives of financial management.</td><td>K4</td><td>CO1</td></tr>
<tr><td>2</td><td>17</td><td>Lissa Metals Ltd. is considering two different investment proposals, X and Y.
The details are as under:
<table>
<tr><th></th><th>Proposal X Rs.</th><th>Proposal Y Rs.</th></tr>
<tr><td>Investment cost</td><td>1,90,000</td><td>4,00,000</td></tr>
<tr><td>CFAT (cash inflows before dep. and after tax)</td><td></td><td></td></tr>
<tr><td>Year 1</td><td>80,000</td><td>1,60,000</td></tr>
<tr><td>Year 2</td><td>80,000</td><td>1,60,000</td></tr>
<tr><td>Year 3</td><td>90,000</td><td>2,40,000</td></tr>
</table>
Select the most attractive proposal on the basis of NPV method considering that the future incomes are discounted at 12%.</td><td>K5</td><td>CO2</td></tr>
<tr><td>3</td><td>18</td><td>Explain the factors that determine the working capital needs.</td><td>K5</td><td>CO3</td></tr>
<tr><td>4</td><td>19</td><td>Following information is available with regards to the capital structure of Edwards Ltd:
<table>
<tr><th></th><th>Amount Rs.</th><th>After tax cost of capital %</th></tr>
<tr><td>Debentures</td><td>12,00,000</td><td>5%</td></tr>
<tr><td>Preference share capital</td><td>4,00,000</td><td>10%</td></tr>
<tr><td>Equity share capital</td><td>8,00,000</td><td>15%</td></tr>
<tr><td>Retained earnings</td><td>16,00,000</td><td>12%</td></tr>
</table>
You are required to solve and calculate weighted average cost of capital (WACC).</td><td>K3</td><td>CO4</td></tr>
<tr><td>5</td><td>20</td><td>Explain the features of an appropriate capital structure.</td><td>K2</td><td>CO5</td></tr>
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Z-Z-Z END