23BSB313N

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BVoc DEGREE EXAMINATION MAY 2026
(Third Semester)

Branch – **BANKING, STOCK & INSURANCE**

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	In a typical organization, the finance function is headed by ------------------. a) Chief Marketing Officer b) Chief Financial Officer c) Chief Technology Officer d) Chief Human Resource Officer	K1	CO1
	2	The first step in the financial management process is -------------------. a) Financial control b) Financial planning c) Auditing d) Budgeting	K2	CO1
2	3	Capital budgeting primarily deals with ---------- a) Short-term financing decisions b) Long-term investment decisions c) Inventory management d) Working capital management	K1	CO2
	4	The ARR method is based on ------------------ a) Cash flows b) Accounting profits c) Present value d) Internal rate of return	K2	CO2
3	5	Which of the following considers tax adjustment while calculating cost? a) Cost of preference shares b) Cost of debt c) Cost of equity d) Cost of retained earnings	K1	CO3
	6	The cost of equity capital is based on -----------. a) Dividend expectations of shareholders b) Interest payments c) Preference dividend d) Working capital	K2	CO3
4	7	Financial leverage arises due to -------------. a) Variable costs b) Preference dividends c) Interest on debt d) Depreciation	K1	CO4
	8	The traditional approach to capital structure suggests ---------------. a) No optimal capital structure b) Existence of optimal capital structure c) EPS always increases with debt d) Capital structure is irrelevant	K2	CO4

Cont...

5	9	EOQ (Economic Order Quantity) is related to ------------. A) Cash management B) Inventory management C) Receivables management D) Long-term finance	K1	CO5
	10	Receivables are also known as ---------------. A) Current liabilities B) Sundry debtors C) Bills payable D) Trade credit	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 the objectives of financial management.	K3	CO1
		(OR)		
	11.b.	Compare traditional and modern methods of evaluating investment opportunities.		
2	12.a.	Explain the process of capital budgeting with suitable steps.	K3	CO2
		(OR)		
	12.b.	Explain the merits and demerits of Payback Period and NPV methods.		
3	13.a.	Explain the importance of cost of capital in financial management	K4	CO3
		(OR)		
	13.b.	Describe the Cost of Preference Shares in Cost of Capital		
4	14.a.	Distinguish between operating leverage and financial leverage	K4	CO4
		(OR)		
	14.b.	What is EBIT–EPS analysis? How is it useful in capital structure decisions?		
5	15.a.	Explain methods of estimating working capital requirements.	K3	CO5
		(OR)		
	15.b.	Explain the significance of receivables management.		

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	Describe the functional areas of financial management in detail.	**K3**	**CO1**
2	17	Explain the nature and importance of capital budgeting.	**K4**	**CO2**
3	18	Discuss the relationship between cost of capital and capital structure decisions	**K3**	**CO3**
4	19	Explain the role of leverage in capital structure decisions.	**K4**	**CO4**
5	20	Write notes on cash management, inventory management, and receivables management.	**K5**	**CO5**

Z-Z-Z END