

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom (CS) DEGREE EXAMINATION MAY 2022
(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 x 1 = 10)

1. The long run objective of Financial Management is to
 - (i) Maximize earnings per share
 - (ii) Maximize the value of firm's common stock
 - (iii) Maximize return on investment
 - (iv) Maximize market share
2. Finance functions are
 - (i) Planning for funds
 - (ii) Raising of funds
 - (iii) Allocation of resources
 - (iv) All of the above
3. Capital budgeting investment decision involves
 - (i) Capital expenditure
 - (ii) A long term function
 - (iii) Long term assets
 - (iv) All of the above
4. What is the most important criterion in capital budgeting?
 - (i) Payback period
 - (ii) IRR
 - (iii) NPV
 - (iv) ARR
5. In finance, working capital means the same thing as
 - (i) Total assets
 - (ii) Fixed assets
 - (iii) Current assets
 - (iv) Current assets minus current liabilities
6. The amount of temporary working capital
 - (i) keeps on fluctuating from time to time
 - (ii) Remains constant for all times
 - (iii) Financial through long term services
 - (iv) None of the above
7. Which of the following costs of capital require tax adjustment?
 - (i) Cost of Equity capital
 - (ii) Cost of Preference capital
 - (iii) Cost of Debentures
 - (iv) Cost of Retained earnings
8. Cost of Capital is the _____ rate of return expected by the investors
 - (i) Minimum
 - (ii) Maximum
 - (iii) Expected
 - (iv) Marginal
9. The formula for EBIT=
 - (i) Sales- variable cost
 - (ii) Sales – fixed cost
 - (iii) Contribution – fixed cost
 - (iv) All of the above
10. Benefit of Trading on equity is available
 - (i) Rate of interest is less than rate of return
 - (ii) Rate of interest is more than rate of return
 - (iii) Both ((i)and (b)
 - (iv) None of the above

SECTION - B (35 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

11. a) Explain about Financial plan.

OR

b) State briefly the significance of Financial Management.

Cont...

12. a) Summarise the need of Capital Budgeting.

OR

b) Sketch the Accounting rate of return.

13. a) Outline the Working Capital. Explain the concept of Working Capital.

OR

b) Rose Ltd., is engaged in customer retailing. You are required to estimate its working capital requirements from the following data:

Project 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 ½ months
Average Stock carrying (in terms of sales requirements)	2 months

Add 10% to allow for contingencies

14. a) Summarise the importance of cost of Capital.

OR

b) Murugan Ltd., issues 10 % irredeemable preference shares of the face value of Rs.100 each. Floation costs estimated at 5% of the expected sales price. 1. What is the K_p , if preference shares are issued at (i) par value, (ii) 10 percent premium, and (iii) 5 per cent discount? 2. Also compute K_p in these situations assuming 14% dividend tax.

15. a) Narrate optimum capital structure.

OR

b) Outline about Financial Leverage and discuss its Significance.

SECTION - C (30 Marks)

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

16. Discuss the functions of Financial Management

17. Calculate the average rate of return for projects A and B from the following

	Project A	Project B
Investments	Rs.20,000	Rs.30,000
Expected Life (no salvage value)	4 years	5 years

Projects net income (after interest, depreciation and taxes)

Years	Project A Rs.	Project B Rs.
1	2,000	3,000
2	1,500	3,000
3	1,500	2,000
4	1,000	1,000
5	-	1,000
	<u>6,000</u>	<u>10,000</u>

If the required rate of return is 12% , which projects should be undertaken.

18. Analyze the different sources of Working Capital.

19. Discuss the difference methods of calculating the cost of equity capital.

20. Outline the Capital structure and enumerate that affect it.

Z-Z-Z

END