



Avinashilingam Institute for Home Science and Higher Education for Women
Deemed to be University Estd. u/s 3 of UGC Act 1956, Category 'A' by MHRD (now MoE)
Re-accredited with 'A++' Grade by NAAC. CGPA 3.65/4, Category I by UGC
Coimbatore - 641 043, Tamil Nadu, India

Continuous Internal Assessment Test I – February 2025
Semester-II

Class: I MBA/ MBA (SF)/I MBA (IT&SM)
Major: Business Administration

Time: 2 hours
Max.marks:60

23MBAC11/24MBMC11 Financial Management

Course Outcomes:

At the end of the course, students will:

1. Understand both the theoretical and practical role of financial management in business corporations.
2. Analyze capital structure and cost of capital of any firm.
3. Apply the concepts of financial management to present-day financial events.
4. Evaluate capital investment decisions and financial policies of business valuations.
5. Develop analytical skills that would facilitate the decision making in business situations.

Part A

6 x1=6

Choose the correct answer

1. Basic objective of Financial Management is _____. **CO1K1**
a.Maximization of profitb.Maximization of shareholder's wealth.
c.Ensuring Financial discipline in the firm. d.All of these.
2. Equity shareholders are called _____. **CO1K2**
a. Owners of the company b.Partners of the company c.Executives
of the company d.Guardian of the company
3. The concept that value of a rupee to be received in future is less than the value of a rupee on hand today is known as: **CO2K1**
a.Recovery factor concept
b.Time value of money
c.Compounding factor concept
d.None of these
4. A project costs Rs, 1,00,000 annual cash flow of Rs. 20,000 for 8 years. Its payback period is **CO2K2**
a.1 year b.2 years
c.3 years d.5 years
5. Cost of equity share or debt is called ____ **CO2K2**
a.Related cost of capital b.Easy to calculate the cost of capital
c.Specific cost of capital d.Burden on the shareholder
6. The relationship between the sales, revenue and operating income is known as **CO3K2**
a.Financial leverage b.Composite leverage c.Working capital leveraged.Operating leverage

Part B

3x6=18

Answer ALL Questions

Answer should not exceed 400 words or two pages

- 7 a. Analyse the functions of Finance Manager. **CO1K3**
(or)
- 7b. Mr.Arun made an investment of Rs. 2,00,000 at 8 percent for 15 years. **CO1K4**

Find the maturity value of the investment.

- 8 a. Explain the Capital Budgeting Process. **CO2K3**
(or)
- 8 b. List out the difference between internal financing and external financing. **CO2K3**
- 9a. On 01/01/2023 XYZ Ltd., issued 11% Debentures of Rs.100 each at par. **CO3K4**
The tax rate is 30%. Calculate cost of debt before and after tax.
(or)
- 9 b. Calculate the operating leverage from the following data. **CO3K3**
Sales: Rs.50,000, Variable Cost Rs. 60% & Fixed Cost Rs. 12,000

Part C

3 x12=36

Answer ALL Questions.

Answer should not exceed 800 words or four pages

- 10 a. Examine the interface between finance and other functions. **CO1K3**
(or)
- 10 b. Evaluate the factors affecting the choice of sources of finance. **CO1K3**
- 11 a. Initial investment Rs.50,000, Life of the asset – 4 years. **CO2K5**
Estimated net annual cash flows: I Year – Rs. 10,000, II Year – Rs.15,000
III Year – Rs.25,000, IV Year – Rs. 20,000
Calculate Internal Rate of Return.
(or)
- 11b. Moorthi borrowed a vehicle loan of Rs.3,00,000 at 8% from his employer **CO2K4**
for five years. He is required to repay as five equal end of year instalments.
How much he has to pay every year?
- 12 a. The Capital structure and after-tax cost of different sources of funds are **CO3K5**
given below

| Sources of Funds | Book Value (Rs.) | After Tax Cost % |
|--------------------------|------------------|------------------|
| Equity share Capital | 3,50,000 | 14 |
| Preference share Capital | 3,00,000 | 7 |
| Debentures | 2,00,000 | 10 |
| Retained earnings | 1,50,000 | 13 |

Compute the Weighted Average Cost of Capital.

(or)

- 12 b. The operating cost data of ABC Ltd., are as follows: **CO3K3**
Sales 10,000 units at Rs. 10 per unit
Variable cost at Rs. 6 per unit
Fixed costs Rs. 20,000 (including 12% interest on
Rs.50,000)
Calculate the operating, financial and combined leverages.

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