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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)
Re-accredited with 'A++' Grade by NAAC. Recognised by UGC Under Section 12B
Coimbatore - 641 043, Tamil Nadu, India

Bachelor's Degree Examination – November 2024
V Semester

Class : III UG
Major : B.Com / B.Com PA / B.Com CA

Time: 3 Hours
Max. Marks: 100

21BCOC20/21BCPC21/21BCCC19 - Financial Management

Course Outcomes

- CO1: Understand the importance of the financial management and financial planning in business.
CO2: Gain substantial knowledge on various forms and sources of capital.
CO3: Acquire the knowledge on different methods of capital budgeting
CO4: Insist the students to understand the importance of forecasting of working capital.
CO5: Acquire knowledge on dividend policy and valuation of firms.

Part A
Choose the Correct Answer

10 x 1 = 10

1. The primary goal of financial management is
a. Minimise the risk
b. Maximize the return
c. Maximize the owner's wealth
d. Increase profit
CO1 K1
2. The finance manager is accountable for -----
a. Earning Capital assets
b. Management of resources
c. Arrangement of financial resources
d. Utilization of resources
CO1 K1
3. The market value of the shares is decided by -----
a. Investment market
b. Government
c. Shareholders
d. Respective companies
CO2 K1
4. The capital budget is associated with -----
a. Long term & Short term assets
b. Fixed assets
c. Long term assets
d. Short term assets.
CO2 K1
5. CAPM stands for -----
a. Capital asset pricing model
b. Capital amount printing model
c. Capital amount pricing model
d. Capital asset printing model
CO3 K2
6. The EBIT represents in financial analysis.
a. Net income after tax
b. Operating profit
c. Total revenue
d. Gross profit
CO3 K2
7. Capital structure in finance is -----
a. Raising fund
b. Mix of debt and equity
c. Total assets of a company
d. Companies day to day expenses
CO4 K1
8. All the financial decisions invariably involves -----
a. Risk return trade off
b. Issue of shares to the public
c. Merger & Acquisition
d. Dividend payout decision
CO4 K1
9. The primary source of working capital for a new business is
a. Long term loan
b. Trade credit
c. Equity financing
d. Retained earnings
CO5 K2
10. The role of receivables management is to maximize the value of the firm by achieving a trade off between -----
a. Risk & profitability
b. Liquidity & Profitability
c. Return & Profitability
d. Return & Liquidity
CO5 K2

Part B
Answer ALL questions

5 x 6 = 30

- Each answer should not exceed 400 words or two pages**
- 11.a. Explain the nature and scope of financial management.
(or)
CO1 K1
 - 11.b. List out the role of finance manager.
CO1 K2
 - 12.a. Define capital structure and its importance.
(or)
CO2 K2

12.b. From the following particulars, calculate the overall cost of capital using book value weights CO2 K2

Sources of funds	Book value Rs.	After tax cost (%)
Equity share capital	4,00,000	14
Retained earnings	2,00,000	13
Preference share capital	1,00,000	10
Debentures	3,00,000	6

13.a. Write the objectives of capital budgeting. CO3 K3

(or)

13.b. A project costs Rs. 3,00,000 and yields annually a profit of Rs. 80,000 after depreciation @ 12% p.a. But before tax of 50%. Calculate the payback period. CO3 K3

14.a. Discuss the forecasting of working capital requirement. CO4 K2

(or)

14.b. Explain the motives for holding cash. CO4 K3

15.a. Explain the different forms of dividend. CO5 K3

(or)

15.b. Explain the importance of receivable management. CO5 K3

Part C

5 x 12 = 60

Answer ALL questions

Each answer should not exceed 800 words or four pages

16.a. Explain the objectives of financial management. CO1 K1

(or)

16.b. Explain the steps in financial planning. CO1 K1

17.a. Explain NI & NOI theory. CO2 K2

(or)

17.b. Explain the determinants of capital structure. CO2 K3

18.a. A Ltd; is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models X and Y of new machine. Prepare a statement of profitability showing the pay back period from the following information. Ignore taxation. CO3 K2

	Machine X Rs.	Machine Y Rs.
Cost of machine	9000	18000
Estimated savings in scrap	500	800
Estimated saving in direct wages	6000	8000
Additional cost of maintenance	800	1000
Additional cost of supervision	1200	1800
Estimated life of machine	4 years	5 years

(or)

18.b. A choice is to be made between two competing proposals which require an equal investment of Rs. 50000 and are expected to generate net cash flows as under: CO3 K3

Years	Project I Rs.	Project II RS.
1	25000	10000
2	15000	12000
3	10000	18000
4	NIL	25000
5	12000	8000
6	6000	4000

The cost of capital of the company is 10 per cent. The following are the Present value factors at 10% per annum.

Year	1	2	3	4	5	6
PV Factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

Which project proposal should be chosen and why ?

Evaluate the project proposals under:

- Pay-back period
- Discounted cash flow method
- Excess present value index

19.a. Explain the factors determining working capital. CO4 K3

(or)

19.b. Elaborate the basic strategies of cash management. CO4 K3

20.a. Explain Gordon's model in dividend. CO5 K3

(or)

20.b. Define accounts receivables and how to forecast the receivables? CO5 K3