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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 (now MoE)  
Re-accredited with A++ Grade by NAAC. CGPA 3.65/4, Category I by UGC  
Coimbatore - 641 043, Tamil Nadu, India

**Bachelor's Degree Examination – November 2025**  
**V Semester**

**Class : III UG**  
**Major : B.Com. / B.Com CA / B.Com. CS**

**Time: 3 Hours**  
**Max. Marks: 100**

**23BCOC10 / 23BCCC11 / 23BCRC10 Financial Management**

**Course Outcomes:**

1. Assess the impact of time value of money in different business decisions.
2. Analyze capital budgeting process and apply capital budgeting techniques for business decisions.
3. Able to analyze the potential risk of future business decision and able to understand the overall importance of finance function.
4. Understanding the stakeholders techniques provide an experimental, interdisciplinary, substantive and high-quality encounter with concerns of corporate social responsibility.
5. Able to design working capital policy based on the assessment of financial requirements.

**Part A**

**10 X 1 = 10**

**Choose the Correct Answer**

1. The \_\_\_\_\_ concept does not consider the effect of earnings per share, dividends paid or any other returns to shareholders. CO1K1
  - a. Profit Maximization
  - b. Wealth Maximization
  - c. Over Capitalization
  - d. Under Capitalisation
2. \_\_\_\_\_ defined as “the value derived from the use of money over time as a result of investment and re-investment”. CO1K1
  - a. ARR
  - b. Time Value of Money
  - c. IRR
  - d. NPV
3. The \_\_\_\_\_ the payback period, the better it is since initial investment is recouped faster. CO2K1
  - a. NPV
  - b. CSR
  - c. Lessor
  - d. EBI – EPS Analysis
4. The \_\_\_\_\_ is the rate of return at which the sum of discounted cash inflows equal the sum of discounted cash outflows. CO2K1
  - a. ESG
  - b. ARR
  - c. Fund Flow Statement
  - d. Internal Rate of Return (IRR)
5. \_\_\_\_\_ is the rate of return the firm requires from investment in order to increase the value of the firm in the market rate. CO3K1
  - a. Cost of Capital
  - b. Capital Budgeting
  - c. Receivables Management
  - d. Inventory Management
6. In \_\_\_\_\_, the cost of capital is minimum and market price per share is maximum. CO3K1
  - a. Payback period
  - b. Optimum Capital Structure
  - c. Capital Budgeting
  - d. WACC
7. Which of the following formula can be applied to determine the market price per share under Walter's Model? CO4K3
  - a.  $D / k - g$
  - b.  $P_0 (1 + k_e) - D_1$
  - c.  $D + r / k (E - D) / k$
  - d.  $D / k + g$
8. \_\_\_\_\_ helps to boost a company's public image and reputation among its employees, as many people choose to work for a business that does good in the community. CO4K1
  - a. Customer's Responsibility
  - b. Employer's Responsibility
  - c. Director's Responsibility
  - d. Corporate Social Responsibility
9. \_\_\_\_\_ is also known as Working Capital Cycle or Cash Cycle. CO5K1
  - a. Operating Cycle
  - b. Business Cycle
  - c. Life – Cycle
  - d. Product Life Cycle
10. In ABC Analysis, \_\_\_\_\_ is Large number of items of small value

**Part B**  
**Answer ALL Questions**

5 X 6 = 30

**Each answer should not exceed 400 words or two pages**

11.a. What is meant by rule of 72 and rule of 69 ? CO1K1  
(or)

11.b. What do you understand by Crypto Currencies ? CO1K1

12.a. Explain the various stages involved in Capital Budgeting Process. CO2K2  
(or)

12.b. There are two projects A and B. The cost of the project is Rs. 30,000 in each case. CO2K2  
The cash inflows are as under:

| Year | Cash inflows     |                  |
|------|------------------|------------------|
|      | Project A<br>Rs. | Project B<br>Rs. |
| 1    | 10,000           | 2,000            |
| 2    | 10,000           | 4,000            |
| 3    | 10,000           | 24,000           |

Calculate Payback Period.

13.a. What are the determinants of Optimum Capital Structure? CO3K3  
(or)

13.b. Income statement of Punjabi Sardhar Limited is given below: CO3K3

|               | Rs.       |
|---------------|-----------|
| Sales         | 10,50,000 |
| Variable Cost | 7,67,000  |
| Fixed Cost    | 75,000    |
| EBIT          | 2,08,000  |
| Interest      | 1,10,000  |
| Tax           | 29,400    |
| Net Income    | 68,600    |

No. of Equity Shares 4,000

Calculate: 1. Operating Leverage 2. Financial Leverage 3. Combined Leverage

14.a. What are the different forms of Dividends? CO4K4  
(or)

14.b. Explain Corporate Social Responsibility. CO4K4

15.a. Discuss the various aspects or Dimensions of Receivable Management. CO5K4  
(or)

15.b. From the following information, Calculate: CO5K4

1. Maximum Stock Level 2. Minimum Stock Level 3. Reorder Level.

|                     |                   |
|---------------------|-------------------|
| Minimum consumption | 240 units per day |
| Normal consumption  | 300 units per day |
| Maximum consumption | 420 units per day |
| Re-order quantity   | 3,600 units       |
| Re-order period     | 10 to 15 days     |
| Normal order period | 12 days.          |

**Part C**

5 X 12 = 60

**Answer All Questions**

**Each answer should not exceed 800 words or four pages**

16.a. Describe the Functions and Responsibilities of Finance Manager. CO1K1  
(or)

16.b. Explain the Scope and Objectives of Financial Management. CO1K1

17.a. How did Environmental, Social and Governance (ESG) factors take importance in Investment decisions ? CO2K2  
(or)

17.b. The Ashoka Company Limited is considering the purchase of a new machine. Two alternative machines ( A and B) have been suggested, each having an initial cost of Rs. 4,00,000 and requiring Rs. 20,000 as additional working capital at the end of 1<sup>st</sup> year. Earnings after taxation are expected to be as follows: CO2K2

| Year | Cash Inflows |           |
|------|--------------|-----------|
|      | Machine A    | Machine B |
| 1    | 40,000       | 1,20,000  |
| 2    | 1,20,000     | 1,60,000  |

CO3K3

18.a. Enumerate the Sources of Long Term Financing.

(or)

18.b. From the following particulars relating to the capital structure of Bharath Limited, Calculate the Overall Cost of Capital, using

i. Book value weights and ii. Market Value weights.

CO3K3

| Sources of Funds         | Book Value (BV)<br>Rs. | Market Value (MV)<br>Rs. |
|--------------------------|------------------------|--------------------------|
| Equity Share Capital     | 45,000                 | 90,000                   |
| Retained Earnings        | 15,000                 | --                       |
| Preference Share Capital | 10,000                 | 10,000                   |
| Debentures               | 30,000                 | 30,000                   |

The after-tax cost of different sources of finance is:

Equity Share Capital 14%; Retained earnings 13%

Preference Share Capital 10%; Debentures 8%.

19.a. Discuss the determinants of Dividend Policy of Corporate Enterprises.

CO4K4

(or)

19.b. The earnings per share of a company are Rs. 10. The rate of capitalisation is 10% and the retained earnings can be employed to yield a return of 20%.

CO4K4

The company is considering a payment of a) 20% b) 40% and c) 60%.

Which of these would maximise the wealth of the shareholders as per Walter's Model?

20.a. Summarised below are the Income and Expenditure forecasts of Ganga Limited for the months of March to August 2024:

CO5K4

| Month  | Sales<br>(all credit)<br>Rs. | Purchases<br>(all credit)<br>Rs. | Wages<br>Rs. | Manufac<br>turing expenses<br>Rs. | Office<br>expenses<br>Rs. | Selling<br>expenses<br>Rs. |
|--------|------------------------------|----------------------------------|--------------|-----------------------------------|---------------------------|----------------------------|
| March  | 60,000                       | 36,000                           | 9,000        | 4,000                             | 2,000                     | 4,000                      |
| April  | 62,000                       | 38,000                           | 8,000        | 3,000                             | 1,500                     | 5,000                      |
| May    | 64,000                       | 33,000                           | 10,000       | 4,500                             | 2,500                     | 4,500                      |
| June   | 58,000                       | 35,000                           | 8,500        | 3,500                             | 2,000                     | 3,500                      |
| July   | 56,000                       | 39,000                           | 9,500        | 4,000                             | 1,000                     | 4,500                      |
| August | 60,000                       | 34,000                           | 8,000        | 3,000                             | 1,500                     | 4,500                      |

You are given the following further information:

a. Plant costing Rs. 16,000 is due for delivery in July payable 10% on delivery and the balance after three months.

b. Advance Tax of Rs. 8,000 is payable in March and June each.

c. Period of credit allowed (i) by suppliers 2 months and (ii) to customers 1 month.

d. Lag in payment of manufacturing expenses ½ month.

e. Lag in payment of all other expenses 1 month.

You are required to prepare a Cash Budget for three months starting on 1<sup>st</sup> May, 2024 when there was a cash balance of Rs. 8,000.

(or)

20.b. X Company desires to purchase a business and has consulted you and one point on which you are asked to advice them is the average amount of working capital which will be required in the first year's working.

CO5K4

You are given the following estimates and are instructed to add 10% to your computed figures to allow for contingencies.

|   | Rs.      |
|---|----------|
| i. Average amount locked up in stocks:            |          |
| Stock of finished goods                           | 5,000    |
| Stock of stores and materials                     | 8,000    |
| ii. Average credit given:                         |          |
| Inland sales – 6 weeks                            | 3,12,000 |
| Export sales – 1 ½ weeks                          | 78,000   |
| iii. Lag in payment of wages and other outgoings: |          |
| Wages – 1 ½ weeks                                 | 2,60,000 |
| Stores, materials etc., - 1 ½ months              | 48,000   |
| Rent, royalties etc., - 6 months                  | 10,000   |
| Clerical staff salary – ½ month                   | 62,400   |
| Manager Salary – ½ month                          | 4,800    |
| Miscellaneous expenses – 1 ½ month                | 48,000   |