



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 PA

Time: 3 Hours

Max. Marks: 100

23BCPC11 Financial Management and Economics for Finance

Course Outcomes:

CO1: Able to demonstrate a strong grasp of fundamental financial concepts and theories and different financial decisions.

CO2: Gain an inclusive understanding of capital structure and how it influences a firm's financial decisions and overall performance.

CO3: Gain a comprehensive understanding of the concept of dividend policy and its significance in financial management and working capital.

CO4: Ability to develop a strong grasp of fundamental economic concepts, including supply and demand, scarcity, opportunity cost, and the role of economics in financial decision-making.

CO5: Able to explore international trade, exchange rates, and the global economy, enabling them to understand the impact of international factors on financial markets and investments.

Part A

10 x 1 = 10

Choose the Correct Answer

1. Which of the following is a key function of financial management? CO1 K1
 - a. Marketing
 - b. Production
 - c. Investment Decision
 - d. Human Resource Management
2. Which of the following factors affects the cost of capital? CO1 K1
 - a. Market conditions
 - b. Capital structure policy
 - c. Dividend policy
 - d. All of the above
3. What is the primary goal of determining a firm's capital structure? CO2 K1
 - a. To maximize profits
 - b. To minimize costs
 - c. To determine the optimal mix of debt and equity
 - d. To increase sales
4. What is the Profitability Index (PI)? CO2 K1
 - a. The ratio of the present value of a project's future cash flows to the initial investment
 - b. The ratio of the project's NPV to the initial investment
 - c. Both a and b
 - d. Neither a nor b
5. What is a stable dividend policy? CO3 K1
 - a. A policy of paying a constant dividend per share
 - b. A policy of paying a constant percentage of earnings as dividend
 - c. A policy of paying a variable dividend per share
 - d. A policy of not paying dividends
6. What is the purpose of managing inventory? CO3 K1
 - a. To minimize stockouts
 - b. To minimize inventory costs
 - c. To optimize production
 - d. All of the above
7. What is the primary focus of macroeconomics? CO4 K1
 - a. Individual economic units
 - b. Aggregate economic variables
 - c. Market structures
 - d. Opportunity cost
8. What is monetary policy? CO4 K1
 - a. The use of government spending and taxation to stabilize the economy
 - b. The use of interest rates and money supply to stabilize the economy
 - c. The use of exchange rates to stabilize the economy
 - d. The use of fiscal policy to stabilize the economy
9. What is the allocation function of fiscal policy? CO5 K1
 - a. To redistribute income from the rich to the poor
 - b. To stabilize the economy during times of inflation or recession
 - c. To allocate resources to different sectors of the economy
 - d. To manage the money supply
10. What are the primary instruments of trade policy? CO5 K1
 - a. Tariffs and quotas
 - b. Subsidies and dumping
 - c. Tariffs, quotas, and subsidies
 - d. Tariffs, quotas, subsidies, and administrative barriers

Part B
Answer ALL questions
Each answer should not exceed 400 words or two pages

5 x 6 = 30

- 11.a. Enumerate the scope of financial management. CO1 K1
(or)
- 11.b. State the characteristics of different types of long term debt and equity finance. CO1 K1
- 12.a. What is meant by capital structure? Illustrate the major determinants of capital structure. CO2 K2
(or)
- 12.b. Discuss the theories of capital structure. CO2 K2
- 13.a. Explain the forms of dividend. CO3 K3
(or)
- 13.b. Write about the working capital financing decisions. CO3 K3
- 14.a. Explain the methods of measurement of national income. CO4 K4
(or)
- 14.b. Discuss the concept of money demand. CO4 K4
- 15.a. State about the foreign direct investment. CO5 K4
(or)
- 15.b. Select the government intervention to correct market failure to fiscal policy. CO5 K4

Part C
Answer ALL questions
Each answer should not exceed 800 words or four pages

5 x 12 = 60

- 16.a. Explain the limitations of ratio analysis. CO1 K1
(or)
- 16.b. What is weighed average cost of capital? Examine the rational behind the use of weighed average cost of capital. CO1 K1
- 17.a. Discuss the types of leverages. CO2 K2
(or)
- 17.b. Give a comparative description of net present value method and internal rate of return method. CO2 K2
- 18.a. There is strong view prevalent among financial experts that the irrelevant hypothesis underlying the MM theory of dividend distribution is out dated and unsuited to present conditions. Do you agree with this view? Explain. CO3 K3
(or)
- 18.b. Explain the effectiveness of working capital based on its operating and cash conversation cycle. CO3 K3
- 19.a. Point out the Keynesian Theory of determination of national income. CO4 K4
(or)
- 19.b. Illustate the concept of money supply. CO4 K4
- 20.a. Explain the theories of international trade. CO5 K4
(or)
- 20.b. Elaborate the international capital movements. CO5 K4
