



R. Sambal

Avinashilingam Institute for Home Science and Higher Education for Women
Deemed to be University Estd. u/s 3of UGC Act 1956, Category A by MHRD (now MoE)
Re-accredited with an A++ Grade by NAAC CGPA 3.65/4, Category I by UGC
Coimbatore - 641043, Tamil Nadu, India

Continuous Internal Assessment II –October 2025
III Semester

Class : II UG
Major : BBA

Time : 2 Hours
Max. Marks : 60

24BBAC07 Financial Management

Course Outcomes:

- CO1: Analyze and evaluate the financial system and financial environment of the organization
- CO2: Assess the capital structure of the organization and evaluate the profitability condition
- CO3: Apply the techniques of capital budgeting for selecting best investment opportunities
- CO4 : Understand the basic concept and importance of Management of Current Assets in an Organization.

Part A

6 x 1 = 6

Choose the Correct Answer

1. The overall cost of financing for the firm is called the
 - a. cost of preferred stock
 - b. Cost of debt
 - c. WACC
 - d. cost of new stock

CO3: K1
2. Financial Leverages is also known as
 - a. Trading on equity
 - b. Trading on debt
 - c. Interest on equity
 - d. Interest on debt

CO3: K1
3. Capital structure _____ financial structure
 - a. Is a part of
 - b. Is not a part of
 - c. Is the same as
 - d. Is different from

CO4: K1
4. The term capital structure denotes
 - a. Total of Liability side of Balance Sheet,
 - b. Equity Funds, Preference Capital and Long term Debt
 - c. Total Shareholders' Equity
 - d Total Shareholders' Equity

CO4:K1
5. Capital budgeting is a part of
 - a. Investment decision
 - b. working capital management
 - c. capital structure
 - d. marketing management

CO5:K1
6. Profitability index in capital budgeting is used for
 - a. Negative projects
 - b. Relative projects
 - c. Evaluate projects
 - d. Earned projects

CO5:K1

Part B

3 x 6 = 18

Answer ALL questions

Each answer should not exceed 400 words or two pages

7.a. Following information is available with regards to the capital structure of Edwards Ltd CO3:K3

Particulars	Amount(Rs)	Afte tax cost of capital (%)
Debentures	12,00,000	5%
Preference share capital	4, 00,000	10%
Equity share capital	8,00,000	15%
Retained earnings	16,00,000	12%

You are required to calculate weighted average cost of capital (WACC)
(or)

7.b. Find out degree of operating leverage from the following data:

CO3:K3

EBIT(2005)	40000	Sales (2005)	20,000 units
EBIT(2006)	50000	Sales (2006)	28,000 units

8.a. Explain the net income approach to capital structure

CO4:K2

(or)

8.b. Explain the features of an appropriate capital structure

CO4:K2

9.a. Project Y has an initial investment of 5,00,000. Its cash flows for 5 years are Rs. 150,000, Rs.180, 000, Rs1, 50,000, Rs. 132,000 and Rs. 1, 20,000. Determine the payback period

CO5:K2

(or)

9.b. Discuss the importance of capital Budgeting.

CO5:K2

3 x 12 = 36

Part C

Answer ALL questions

Each answer should not exceed 800 words or four pages

10.a. Kinely Ltd issued 50,000 10 % debentures of Rs 100 each, redeemable in 10 years time at 10% premium . The cost of issue was 2.5%. The company's income tax rate is 35%. Determine the cost of debt (before as well as after tax) if they were issued (a) at par (b) at a premium of 5% and (c) a discount of 10%

CO3:K3

(or)

10.b. Explain the types of leverages

CO3:K2

11.a. Explain the Modigliani and Miller approach to capital structure.

CO4:K2

(or)

11.b. Briefly explain factors that determine the capital structure of a firm.

CO4:K2

12.a. An investment of Rs. 10,000 (having scrap value of Rs. 500) yields the following returns:

CO5:K3

Year	1	2	3	4	5
CFAT	4,000	4,000	3,000	3,000	2500

The cost of capital is 10%. Is the investment desirable? Discuss it according to NPV method assuming the P.V Factors for 1st, 2nd, 3rd, 4th and 5th year- 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

(or)

12.b. Discuss the various methods used for risk factor in capital budgeting decisions.

CO5:K2

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