



# 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

## Master's Degree Examination – May 2025

### II Semester

**Class : I M.B.A. /2023 Batch**

**Time: 3 Hours**

**Major : Business Administration/**

**Max. Marks: 100**

**Information Technology and Systems Management**

### 23MBAC11/24MBMC11 Financial Management

#### Course Outcomes:

CO1: Provide an in-depth knowledge on the process in financial management of the firm.

CO2: Elucidate the broad framework of financial decision-making.

CO3: Familiarize different tools and techniques used in financial management.

CO4: Learn to value different financial products.

CO5: Identify the best course of action among various financial options.

#### Part A

**10 x 1 = 10**

#### Choose the Correct Answer

- The job of a finance manager is confined to CO1K1
  - Raising of funds
  - Management of cash
  - Raising of funds and their effective utilization
  - Financial planning
- Financial decisions involve CO1K1
  - Investment, financing and dividend decisions
  - Management of cash
  - Raising of funds and their effective utilization
  - Raising of funds
- The simplest capital budgeting technique is CO2K2
  - Pay-back period
  - Internal Rate of return
  - Net present value
  - Return on Investment
- Cost of capital comprises both business and ----- risks. CO2K2
  - Financial
  - Operating
  - Stock dept
  - Reserves
- Financial leverage is also known as CO3K3
  - Operating leverage
  - Balance leverage
  - Trading on equity
  - Trading on debt
- refers to make-up of a firm's capitalization. CO3K3
  - Capitalization
  - Capital
  - Finance
  - Capital structure
- The policy concerning quantum of profits to be distributed as dividend is termed as CO4K4
  - Cash dividend
  - Dividend policy
  - Stock dividend
  - Constant dividend
- According to ----- model, the dividend decision is irrelevant. CO4K4
  - MM model
  - Walter model
  - Both A & B
  - Markowitz theory
- refers to the minimum amount of investment in current assets which is required at all times to carry out minimum level of business activities. CO5K5
  - Permanent working capital
  - Working capital
  - Assets
  - Liability

10. ----- involves balancing the cost of carrying receivables and the loss of sales due to a tight credit policy. CO5K5
- a. Management of cash                      b. Management of receivables  
 c. Permanent working capital            d. Dividend

**Part B** **5 x 6 = 30**  
**Answer ALL questions**  
**Each answer should not exceed 400 words or two pages**

- 11.a. State the objectives of financial management. CO1K1  
 (or)
- 11.b. List out the scope of financial management. CO1K1
- 12.a. Identify the significance of capital budgeting. CO2K2  
 (or)
- 12.b. Discuss the types of risk analysis. CO2K2
- 13.a. Write short note on 'Weighted Average Cost of Capital'. CO3K3  
 (or)
- 13.b. List out the applications of Leverages. CO3K3
- 14.a. Outline the factors influencing dividend policy. CO4K4  
 (or)
- 14.b. Discuss the forms of dividend. CO4K4
- 15.a. Assess the Principles of working capital management. CO5K5  
 (or)
- 15.b. List out the applications of MIS in finance. CO5K5

**Part C** **5 x 12 = 60**  
**Answer ALL questions**  
**Question No 20. Case is Compulsory**  
**Each answer should not exceed 800 words or four pages**

- 16.a. Discuss in detail the sources of finance. CO1K1  
 (or)
- 16.b. Examine the applications of time value of money. CO1K1
- 17.a. Summarize the Decision trees for sequential investment decision. CO2K3  
 (or)
- 17.b. Explain the techniques of capital budgeting. CO2K3

- 18.a. Explain the kinds of leverages. CO4K2  
(or)
- 18.b. Discuss in detail the MM hypothesis. CO4K2
- 19.a. Explain the theories of divided. CO3K3  
(or)
- 19.b. Discuss the objectives of dividend policy. CO3K3
- 20.a. **Case Study: (Compulsory question):** CO3K3

### Working capital requirement

Working capital requirement is a concept that anyone starting a company has to know and understand. To ensure the success of their company, it is vital for leaders and financial executives to have a handle on any discrepancies between incomings and outgoings.

Working capital requirement (WCR) is the amount of money required to cover your operating costs. It represents your company's short-term financing requirements. These requirements are caused by gaps in your cash flows (money coming in and out) corresponding to cash inflow and cash outflow linked to your business operations, in other words your company's primary activity.

When a company produces a certain quantity of goods, it often takes time to liquidate this inventory. The result is a time lag between the points when money is spent on production and the cash flows in after the goods or services are sold. This is one of the leading causes of insolvencies that can affect your working capital on an ongoing basis.

Although payment may be earned and specified at a given moment in time, you often have to wait a while before it is settled. This means that a company can spend money to produce goods or provide services but may not receive the amount owed to it for another few days, weeks or months.

Companies rarely produce their goods from scratch – they often rely on suppliers to source raw materials. If this is the case, once the production cycle has started, the company is indebted to these external parties for the period that it takes to receive the money from selling its products or services. In certain circumstances, however, suppliers may claim repayment before the company has received sufficient funds to cover its costs. A premature cash outflow such as this will increase the company's WCR.

#### Question:

- i. Working capital requirements (frequently known as WCR), a term that is unique to the world of finance. What exactly is it? How do you calculate it? How do you interpret it and what actions do you take?

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