



# 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 an 'A++' Grade by NAAC CGPA 3.65/4, Category I by UGC

Coimbatore - 641 043, Tamil Nadu, India

**Continuous Internal Assessment Test I –AUGUST 2025**

**V SEMESTER**

**Class : III UG**

**Major :B.Com/B.Com CA/B.Com CS**

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

**Time: 2 Hours**

**Maximum Marks: 60**

## Course Outcomes:

At the end of the course, students will:

CO1: Assess the impact of time value of money in different business decisions.

CO2: Analyze capital budgeting process and apply capital budgeting techniques for business decisions.

CO3: Able to analyze the potential risk of future business decisions and able to understand the overall importance of finance function.

CO4: Understanding the stakeholders techniques provide an experimental, interdisciplinary, substantive and high quality encounter with concerns of corporate social responsibility.

CO5: Able to design working capital policy based on the assessment of financial requirements.

## Part - A

**Choose the correct answer**

**6 x 1 = 6**

- The basic objective of financial management is CO1K1
  - Maximization of Sales
  - Maximization of Shareholder's Wealth
  - Maximization of Profits
  - Maximization of Cost
- Which of the following is not a component of Triple Bottom Line? CO1K1
  - People
  - Profit
  - Planet
  - Property
- NPV stands for CO2K1
  - Net Profitability Value
  - Net Present Value
  - Net Purchase Value
  - Business Investment
- The project should be accepted under Profitability Index(P.I) CO2K1
  - When  $PI > 1.0$
  - When  $PI < 1.0$
  - When  $PI = 0$
  - When  $PI > 2.0$
- The company's cost of capital is called CO3K1
  - Cut-Off Rate
  - Hurdle Rate
  - Risk Rate
  - Return Rate
- The method of calculating cost of equity is CO3K1
  - Payback Method
  - Capital Asset Pricing Model
  - NPV
  - ARR

## Part - B

**Answer all the questions**

**3 x 6 = 18**

**Answer should not exceed 400 words or two pages**

- a) Explain the nature of Financial Management. CO1K3  
(Or)
- b) Write a short notes on: CO1K4
  - Economic Value Added (EVA)
  - Market Value Added (MVA)
- a) Calculate the average rate of return for projects A and B from the following: CO2K3

	Project A	Project B
Investments	Rs 20,000	Rs 30,000
Expected Life (no salvage value)	4 years	5 years
Projected Net Income (after interest, depreciation and taxes)		

Years	Project A Rs	Project B Rs
1	2,000	3,000
2	1,500	3,000
3	1,500	2,000
4	1,000	1,000
5	---	1,000
<b>Total</b>	<b>6,000</b>	<b>10,000</b>

If the required rate of return is 12% which project should be undertaken?

(Or)

- b) Calculate Internal Rate of Return CO2K3

Initial Investment	Rs 60,000
Life of the Asset	4 years
Estimated Net Annual Cash Flows:	Rs
1 <sup>st</sup> Year	15,000
2 <sup>nd</sup> Year	20,000
3 <sup>rd</sup> Year	30,000
4 <sup>th</sup> Year	20,000

The table below presents the discount value

Year	10%	12%	14%	15%
1	0.909	0.892	0.877	0.869
2	0.826	0.797	0.769	0.756
3	0.751	0.711	0.674	0.657
4	0.683	0.635	0.592	0.571

9. a) A Ltd. Issues Rs 1,00,000 10% perpetual debentures of Rs 100 each. Compute the cost of debt capital, if debentures have been issued: CO3K4

- i) at par
- ii) at a premium of 10%
- iii) at a discount of 5%

(Or)

9. b) A company issues 10,000 10% preference shares of Rs 100 each. Cost of issue is Rs 2 per share. Calculate cost of preference capital if these shares are issued a) at par, b) at premium of 10% c) at a discount of 5%. CO3K3

### Part - C

**Answer all the questions**

**3 x 12 = 36**

**Answer should not exceed 800 words or four pages**

10. a) Enumerate the Functions of Finance Manager. CO1K3

(Or)

10. b) Interpret about the Responsible Investment and its significance. CO1K3

11. a) Paraphrase the Capital Budgeting Process. CO2K3

(Or)

11. b) The Alpha Company Ltd. is considering the purchase of a new machine. Two alternative machines (A and B) have been suggested each costing Rs 4,00,000. Earnings after taxation are expected to be as follows: CO2K3

Year	Cash Flow	
	Machine A Rs	Machine B Rs
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The company has a target of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative you consider financially preferable.

The Present value of Re.1

Year	
1	0.91
2	0.83
3	0.75
4	0.68
5	0.62

12. a) A company issues Rs.10,00,000, 10% redeemable debentures at a discount of 5%. The costs of floatation amount to Rs.30,000. The debentures are redeemable after 5 years. Calculate before-tax and after-tax cost of debt assuming a tax rate of 50%. CO3K3

(Or)

12. b) The shares of a company are selling at Rs.40 per share and it had paid a dividend of Rs.4 per share last year. The investor's market expects a growth rate of 5 per year.

a) Compute the company's equity cost of capital.

b) If the anticipated growth rate is 7 per cent per annum, calculate the indicated market price per share. CO3K3