

**B.E. / B.Tech. - DEGREE EXAMINATIONS, NOV / DEC 2024**

Third Semester

**Computer Science and Business Systems**  
**20CBMG301 - FINANCIAL MANAGEMENT**

Regulations - 2020

Duration: 3 Hours

Max. Marks: 100

**PART - A (MCQ) (20 × 1 = 20 Marks)**

Answer ALL Questions

*Marks*    *K-  
Level*    *CO*

- |                                                                                                                                 |           |                                                    |                       |   |    |     |
|---------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------------------------------------|-----------------------|---|----|-----|
| 1. Time value of money indicates that                                                                                           |           |                                                    |                       | 1 | K1 | CO1 |
| (a) A unit of money obtained today is worth more than a unit of money obtained in future                                        |           |                                                    |                       |   |    |     |
| (b) A unit of money obtained today is worth less than a unit of money obtained in future                                        |           |                                                    |                       |   |    |     |
| (c) There is no difference in the value of money obtained today and tomorrow                                                    |           |                                                    |                       |   |    |     |
| (d) None of the above                                                                                                           |           |                                                    |                       |   |    |     |
| 2. The finance manager is accountable for.                                                                                      |           |                                                    |                       | 1 | K1 | CO1 |
| (a) Earning capital assets of the company                                                                                       |           | (b) Effective management of a fund                 |                       |   |    |     |
| (c) Arrangement of financial resources                                                                                          |           | (d) Proper utilization of funds                    |                       |   |    |     |
| 3. Maximization of Shareholders Wealth is reflected in                                                                          |           |                                                    |                       | 1 | K1 | CO1 |
| (a) Sales Maximization                                                                                                          |           | (b) Number of Shareholders                         |                       |   |    |     |
| (c) Market Price of Equity Shares                                                                                               |           | (d) none of the above                              |                       |   |    |     |
| 4. Finance function involves:                                                                                                   |           |                                                    |                       | 1 | K1 | CO1 |
| (a) Procurement of finance only                                                                                                 |           | (b) Expenditure of funds only                      |                       |   |    |     |
| (c) Safe custody of funds only                                                                                                  |           | (d) Procurement and effective utilization of funds |                       |   |    |     |
| 5. Capital budgeting decisions are based on                                                                                     |           |                                                    |                       | 1 | K1 | CO2 |
| (a) Incremental profit                                                                                                          |           | (b) Incremental cash flows                         |                       |   |    |     |
| (c) Incremental assets                                                                                                          |           | (d) Incremental capital                            |                       |   |    |     |
| 6. Which of the following is a risk factor in capital budgeting?                                                                |           |                                                    |                       | 1 | K1 | CO2 |
| (a) Industry specific risk factors                                                                                              |           | (b) Competition risk factors                       |                       |   |    |     |
| (c) Project specific risk factors                                                                                               |           | (d) All of the above                               |                       |   |    |     |
| 7. Which of the following has the highest cost of capital?                                                                      |           |                                                    |                       | 1 | K1 | CO2 |
| (a) Equity shares                                                                                                               | (b) Loans | (c) Bonds                                          | (d) Preference shares |   |    |     |
| 8. Cost of Capital for Bonds and Debentures is calculated on:                                                                   |           |                                                    |                       | 1 | K1 | CO2 |
| (a) Before Tax basis                                                                                                            |           | (b) After Tax basis                                |                       |   |    |     |
| (c) Risk-free Rate of Interest basis                                                                                            |           | (d) None of the above.                             |                       |   |    |     |
| 9. A firm's degree of total leverage (DTL) is equal to its degree of operating leverage its degree of financial leverage (DFL). |           |                                                    |                       | 1 | K1 | CO3 |
| (a) plus                                                                                                                        | (b) minus | (c) divided by                                     | (d) multiplied by     |   |    |     |
| 10. Optimum capital structure is obtained when                                                                                  |           |                                                    |                       | 1 | K1 | CO3 |
| (a) Firm earns maximum profits                                                                                                  |           | (b) Firm declares reasonable dividend              |                       |   |    |     |
| (c) Market value per equity share is the maximum                                                                                |           | (d) The debt increases                             |                       |   |    |     |
| 11. The entire items on the liability side of a balance sheet is called                                                         |           |                                                    |                       | 1 | K1 | CO3 |
| (a) Capital structure                                                                                                           |           | (b) Financial structure                            |                       |   |    |     |
| (c) Long term source                                                                                                            |           | (d) Short term source                              |                       |   |    |     |
| 12. All of the following are true of stock splits EXCEPT:                                                                       |           |                                                    |                       | 1 | K1 | CO3 |
| (a) Market price per share is reduced after the split.                                                                          |           |                                                    |                       |   |    |     |
| (b) The number of outstanding shares is increased.                                                                              |           |                                                    |                       |   |    |     |
| (c) Retained earnings are changed.                                                                                              |           |                                                    |                       |   |    |     |
| (d) Proportional ownership is unchanged.                                                                                        |           |                                                    |                       |   |    |     |

- |                                                                                             |                                               |                |                   |
|---------------------------------------------------------------------------------------------|-----------------------------------------------|----------------|-------------------|
| 13. Working capital refers to:                                                              | 1                                             | K1             | CO4               |
| (a) Fixed assets minus current liabilities                                                  | (b) Current assets minus current liabilities  |                |                   |
| (c) Long-term liabilities minus current assets                                              | (d) Total assets minus total liabilities      |                |                   |
| 14. Which ratio is often used to assess the efficiency of receivables management?           | 1                                             | K1             | CO4               |
| (a) Debt to equity ratio                                                                    | (b) Current ratio                             |                |                   |
| (c) Average collection period                                                               | (d) Inventory turnover ratio                  |                |                   |
| 15. The aging schedule is used to:                                                          | 1                                             | K1             | CO4               |
| (a) Evaluate the aging process of inventory                                                 |                                               |                |                   |
| (b) Analyze the time taken to pay suppliers                                                 |                                               |                |                   |
| (c) Track overdue receivables based on the length of time outstanding                       |                                               |                |                   |
| (d) Calculate inventory turnover                                                            |                                               |                |                   |
| 16. Which of the following is a source of working capital finance?                          | 1                                             | Kx1            | CO4               |
| (a) Debentures                                                                              | (b) Bank overdraft                            | (c) Term loans | (d) Equity shares |
| 17. In India, which of the following tax is levied on the profits made from selling shares? | 1                                             | K1             | CO5               |
| (a) Corporate Tax                                                                           | (b) Capital Gains Tax                         |                |                   |
| (c) Service Tax                                                                             | (d) Goods and Services Tax (GST)              |                |                   |
| 18. What is the primary market?                                                             | 1                                             | K1             | CO5               |
| (a) Market for buying and selling existing securities                                       |                                               |                |                   |
| (b) Market for buying new securities for the first time                                     |                                               |                |                   |
| (c) Market for commodities                                                                  |                                               |                |                   |
| (d) Market for foreign exchange                                                             |                                               |                |                   |
| 19. In a hire purchase agreement, which of the following is true?                           | 1                                             | K1             | CO5               |
| (a) The buyer can use the asset without paying for it.                                      |                                               |                |                   |
| (b) The seller retains ownership until the final payment is made.                           |                                               |                |                   |
| (c) Payments are made only once a year.                                                     |                                               |                |                   |
| (d) The buyer can return the asset at any time without penalty.                             |                                               |                |                   |
| 20. Which of the following is a common characteristic of venture capital investments?       | 1                                             | K1             | CO5               |
| (a) Low risk and guaranteed returns                                                         | (b) Long-term loans with fixed interest rates |                |                   |
| (c) Equity investment in high-risk startups                                                 | (d) Investments in public sector companies    |                |                   |

**PART - B (10 × 2 = 20 Marks)**

Answer ALL Questions

- |                                                              |   |    |     |
|--------------------------------------------------------------|---|----|-----|
| 21. Define finance.                                          | 2 | K1 | CO1 |
| 22. How do you define Return in your Business?               | 2 | K1 | CO1 |
| 23. Relate principles of capital budgeting.                  | 2 | K2 | CO2 |
| 24. Illustrate project selection under capital rationing.    | 2 | K2 | CO2 |
| 25. Extend Leverage.                                         | 2 | K2 | CO3 |
| 26. Show Gordon basic valuation formula.                     | 2 | K2 | CO3 |
| 27. Compare current assets and current liabilities.          | 2 | K2 | CO4 |
| 28. Interpret Bills receivable is under current liabilities. | 2 | K2 | CO4 |
| 29. Choose the component of long term liabilities.           | 2 | K3 | CO5 |
| 30. Identify the term private equity.                        | 2 | K3 | CO5 |

**PART - C (6 × 10 = 60 Marks)**

Answer ALL Questions

- |                                                                                                                                                        |    |    |     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----|----|-----|
| 31. a) As a Finance manager – illustrate the finance functions for an effective operations of your business to satisfy Stakeholder of the organization | 10 | K2 | CO1 |
| <b>OR</b>                                                                                                                                              |    |    |     |
| b) Explain the importance of Risk and Returns in your software based company.                                                                          | 10 | K2 | CO1 |

32. a) JSW has proposed investment in new Green field Cement manufacturing division with initial outlay of Rs.60, 00, 000. The life of the project is 5 years and its annual cash flow as follows. 10 K2 CO2

S.No	Year	Cash flow
1	0	-60,00,000
2	1	20,00,000
3	2	22,00,000
4	3	13,00,000
5	4	15,00,000
6	5	9,00,000

You are advised to calculate

(i) Payback Period

(ii) Accounting Rate of Return (ARR) & suggest whether the project should be accepted or rejected – Comment.

**OR**

- b) Summarize the Cost of Capital useful for the business. 10 K2 CO2

33. a) Experiment with various factors determining Dividend policy in Indian corporate. 10 K3 CO3

**OR**

- b) Dr Rex Pharma Ltd has Equity share capital of Rs. 20, 00,000 (Rs. 100 each) and plans for expansion of existing operational level for which the board of directors decided to raise additional capital of Rs. 50,00,000. The following alternative financial options to raise the additional capital. 10 K3 CO3

(i) Issue 50,000 equity shares of Rs. 100 each.

(ii) Issue 20,000 equity shares of Rs. 100 each and 30,000, 10% preference shares of Rs. 100 each.

(iii) Issue 10,000 equity shares of Rs. 100 each and 40,000, 14%, debentures of Rs. 100 each. The corporate tax is in 50%. The corporate seeking your valuable advice and suggestions for better financial options.

34. a) Construct the components of working capital and its importance. 10 K3 CO4

**OR**

- b) Develop the techniques of cash management and its importance in present business scenario. 10 K3 CO4

35. a) Discover importance of capital market in Growing Indian Economy. 10 K4 CO5

**OR**

- b) Inference the types of leasing in Indian business scenario 10 K4 CO5

36. a) i) As an inventory manager- Examine the importance of inventory in product cost decision in the competitive market. 5 K4 CO4

- ii) List the Characteristics of equity share in Indian capital market. 5 K4 CO5

**OR**

- b) i) Simplify the advantages of Decentralized collection in receivable management 5 K4 CO4

- ii) Test the function of stock exchanges in India 5 K4 CO5