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Question Paper Code	13671
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B.E. / B.Tech. - DEGREE EXAMINATIONS, APRIL / MAY 2025

Third Semester

Computer Science and Business Systems

20CBMG301 - FINANCIAL MANAGEMENT

Regulations - 2020

Duration: 3 Hours

Max. Marks: 100

PART - A (MCQ) (10 × 1 = 10 Marks)

Answer ALL Questions

- | | <i>Marks</i> | <i>K – Level</i> | <i>CO</i> |
|---|--------------|------------------|-----------|
| 1. Basic objective of Financial Management is _____.
(a) Maximization of profit. (b) Maximization of shareholder's wealth.
(c) Ensuring Financial discipline in the firm. (d) All of these | 1 | K1 | CO1 |
| 2. _____ is a specific risk factor
(a) Market risk (b) Inflation risk (c) Interest rate risk (d) Financial risk | 1 | K1 | CO1 |
| 3. Cost of Capital is _____.
(a) Lesser than the cost of debt capital.
(b) Equal to the last dividend paid to the equity shareholders.
(c) Equal to the dividend expectations of equity shareholders for the coming year.
(d) None of the above. | 1 | K1 | CO2 |
| 4. Which of the following is a measure used in capital budgeting that calculates the time required to recover the initial investment?
(a) Accounting Rate of Return (b) Net Present Value
(c) Payback Period (d) Internal Rate of Return | 1 | K1 | CO2 |
| 5. Financial leverage can be measured in _____.
(a) Stock term. (b) Flow term. (c) Both (a) and (b) (d) None of these. | 1 | K1 | CO3 |
| 6. In the context of dividend policy, what does a stable dividend policy aim to achieve?
(a) Maximizing stock price through irregular payments
(b) Providing a consistent return to shareholders over time
(c) Minimizing tax liabilities for shareholders
(d) Favoring short-term gains over long-term stability | 1 | K1 | CO3 |
| 7. Net working capital refers to _____.
(a) Total assets minus fixed assets. (b) Current assets minus current liabilities.
(c) Current assets minus inventories. (d) current assets | 1 | K1 | CO4 |
| 8. What type of financial instrument is commercial paper?
(a) Long-term debt security (b) Short-term promissory note issued by companies
(c) Equity financing (d) Cash reserve for emergencies | 1 | K1 | CO4 |
| 9. Long term finance is required for _____.
(a) Current assets. (b) Fixed assets. (c) Intangible assets. (d) None of these | 1 | K1 | CO5 |
| 10. Security is known as variable income security.
(a) Debentures (b) Preference shares (c) Equity shares (d) None of these. | 1 | K1 | CO6 |

PART - B (12 × 2 = 24 Marks)

Answer ALL Questions

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| 11. What are the functions of financial management? | 2 | K1 | CO1 |
| 12. Explain risk-return trade off. | 2 | K2 | CO1 |
| 13. Outline any two objectives of capital budgeting. | 2 | K2 | CO2 |
| 14. Explain weighted average cost of capital. | 2 | K2 | CO2 |
| 15. What is EPS? | 2 | K1 | CO3 |
| 16. Name the forms of dividend? | 2 | K1 | CO3 |

K1 – Remember; K2 – Understand; K3 – Apply; K4 – Analyze; K5 – Evaluate; K6 – Create

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| 17. Draw the working capital cycle. | 2 | K2 | CO4 |
| 18. Define cash management. | 2 | K1 | CO4 |
| 19. What are right shares? | 2 | K1 | CO5 |
| 20. What are the short term sources of finance? | 2 | K1 | CO5 |
| 21. Explain the term commercial Paper. | 2 | K2 | CO6 |
| 22. Show any two differences between equity shares and debentures. | 2 | K2 | CO6 |

PART - C (6 × 11 = 66 Marks)

Answer ALL Questions

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| 23. | a) | Discuss the fundamental principles of financial decision | 11 | K2 | CO1 |
| OR | | | | | |
| | b) | Elaborate and write the difference between profit maximization and wealth maximization. | 11 | K2 | CO1 |

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| 24. | a) | A choice is to be made between two competing proposals which require an equal investment of Rs 50,000 and are expected to generate net cash flows as under: | 11 | K5 | CO2 |
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	Project I	Project II
Year 1	25,000	10,000
Year 2	15,000	12,000
Year 3	10,000	18,000
Year 4	-	25,000
Year 5	12,000	8,000
The Year 6	6,000	4,000

The cost of capital of the company is 10 percent. The following are the present value factors at 10% per annum.

Year	1	2	3	4	5	6
PVF @10%	0.909	0.826	0.751	0.683	0.621	0.564

Which project proposal should be chosen and why?

Evaluate the proposal under:

- a) Pay- back Period
- b) Net Present Value method

OR

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| b) | A company issues Rs 10,00,000, 13% debentures at a discount of 5%. The debentures are redeemable after 5 years at a premium of 5%. Calculate before tax and after tax cost of debt, if the tax rate is 50%. | 11 | K5 | CO2 |
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| 25. | a) | Evaluate operating and financial leverage. How can you measure the degree of operating and financial leverage? | 11 | K5 | CO3 |
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OR

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| b) | Omega Company has a cost of equity of 10%. The current market value of the firm is Rs. 20,00,000 (Rs. 20 per share). Assume values for new investments as Rs.6,80,000, earnings as Rs. 1,50,000 and dividend as Rs. 1 per share. Show that under the MM assumptions, the payment of dividend does not affect the value of the firm. | 11 | K5 | CO3 |
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| 26. | a) | Explain the nature of factors which determine the working capital needs of a firm. | 11 | K2 | CO4 |
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OR

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| b) | What is factoring? Discuss are the services rendered by factoring. | 11 | K2 | CO4 |
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| 27. | a) | Explain briefly the methods of floating new issues in Primary market. | 11 | K2 | CO5 |
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OR

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| | b) | Discuss the concept of hire purchase, including its key features, advantages, and disadvantages. | 11 | K2 | CO5 |
| 28. | a) | Discuss in detail note on the long term sources of finance. | 11 | K2 | CO6 |
| | | OR | | | |
| | b) | Draw and explain the structure of financial markets in India. | 11 | K2 | CO6 |