D5BCP2302 (PAGES: 4) **Reg. No.............................**

Name: ....

FIFTH SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2025

(Regular/Improvement/Supplementary)

B. Com. Professional

GBCP5B20T: FINANCIAL MANAGEMENT

Time: 3 Hours **Maximum Marks: 80**

Part A. Answer *all* the questions. Each carries *one* mark.

Choose the correct answer.

1. Financial decision includes:
   a) Investment, financing and dividend decision b) Investment, financing and sales decision
   c) Financing, dividend and cash decision d) None of these.
2. Financial Planning deals with:
   a) Preparation of Financial Statements b) Planning for a Capital Issue
   c) Preparing Budgets d) All of the above
3. Under income-tax provisions, depreciation on lease asset is allowed to _______.
   a) Lessor b) Lessee c) Any of the two d) None of the two
4. Trading on Equity is _________.
   a) Always beneficial b) May be beneficial c) Never beneficial d) None of the above
5. Which of the following is not incorporated in Capital Budgeting?
   a) Tax-Effect b) Time Value of Money
   c) Required Rate of Return d) Rate of Cash Discount

Fill in the Blanks

6. Lease which includes a third party (a lender) is known as ________.
7. A short-term lease which is often cancellable is known as _________.
8. In case the firm is all-equity financed, WACC would be equal to __________.
9. Capital Budgeting is a part of _________.
10. To financial analysts, "net working capital" means the same thing as ________.

Part B: Answer any *eight* questions. Each carries *two* marks.

11. What do you mean by Project financing?
12. Differentiate between specific cost and composite cost.
13. How do you measure the degree of operating, financial and combined leverage?

(PTO)

14. What is internal rate of return?
15. Define financial management.
16. What is annuity?
17. What do you understand by discounting?
18. A project cost Rs 6,00,000 and yields annually a profit of Rs 90,000 after depreciation at 12.5% per annum but before Tax at 50 %. Calculate the payback period.
19. What is economic order quantity?
20. Name the various kinds of working capital.

(8 × 2 = 16 Marks)

Part C: Answer any *six* questions. Each carries *four* marks.

21. Explain the mode of financing by venture capitalists.
22. Is there a difference between the cost of external equity and internal equity? Explain.
23. Calculate degree of operating leverage, financial leverage and combined leverage from the following data
    - Sales 1,00,000 units @ 2 per unit - Rs 2,00,000
    - Variable cost per unit - Rs 0.70
    - Fixed cost - Rs 1,00,000
    - Interest charges - Rs 3668
24. A company proposing to expand its production can go either for an automatic machine costing Rs 2,24,000 with an estimated life of 5 ½ year or an ordinary machine costing Rs 60,000 having an estimated life of 8 years. The annual sales and cost are estimated as follows:

	Automatic machine (Rs)	Ordinary machine (Rs)
Sales	1,50,000	1,50,000
Cost:		
Material	50,000	50,000
Labour	12,000	60,000
Variable overheads	24,000	20,000

Calculate the comparative profitability under pay back method.

25. Distinguish between deposit float and bank float.
26. Explain the approaches to finance function.
27. What are debentures? What type of debentures can a joint stock company issue?
28. What are the features of an investment decision? Discuss the importance of the decision in the context of modern days' complexities.

(6 × 4 = 24 Marks)

Part D: Answer any *two* questions. Each carries *fifteen* marks.

29. A company expects a net income of Rs 80,000. It has Rs 2,00,000 8% debentures. The equity capitalization rate of the company is 10 %. Calculate the value of the firm and overall capitalization rate according to the net income approach (ignoring income tax). If the debenture debt is increased to Rs 3,00,000, what shall be the value of the firm and the overall capitalization rate?
30. Following are the data on a capital project being evaluated by the management of ABC Limited.
    - Annual cost saving - Rs 50,000
    - Useful life - 4 years
    - Internal rate of return - 14 %
    - Profitability index - 1.06522
    - Net present value - ?
    - Cost of capital -?
    - Cost of project -?
    - Payback period - ?
    - Salvage value is zero

    Find the missing values considering the following table of discount factor only.

Discount factor	14%	13%	12%	11%
1st year	0.877	0.885	0.893	0.901
2nd year	0.769	0.783	0.797	0.811
3rd year	0.675	0.693	0.712	0.732
4th year	0.592	0.613	0.636	0.659
	2.913	**2.974**	**3.038**	**3.103**

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31. The following information is available in respect of the rate of return on investment (r), the cost of capital (k), and earnings per share (E) of Ajil limited.

- Rate of return on investment – 1) 15% 2) 12% 3) 10%
- Cost of capital = 12 %
- Earnings per share = Rs. 10

Determine the value of its shares using Gordon's model assuming the following:

	Dividend payout ratio	Retention ratio
A	100	0
B	80	20
C	40	60

(2 × 15 = 30 Marks)