

D5BCM2305

Reg. No.....

Name:

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2025
(Regular/Improvement/Supplementary)

FINANCE

GBCM5B11T: FINANCIAL MANAGEMENT

Time: 2 ½ Hours

Maximum Marks: 80

SECTION A: Answer the following questions. Each carries *two* marks.
(Ceiling 25 marks)

1. List out the limitations of capital budgeting.
2. Comment on lock box system.
3. What do you mean by profitability index?
4. Define debenture.
5. What do you understand by capital rationing?
6. Write a note on operating leverage.
7. Define capital structure.
8. Define financial management.
9. What is meant by Time Value of Money?
10. Comment on discounting technique.
11. What is scrip dividend?
12. State the meaning of regular dividend policy.
13. What do you understand by receivables management?
14. Give a short note on re-ordering level.
15. ₹2,000 is invested at annual rate of interest of 10%. What is the amount after 2 years, if the compounding is done annually?

SECTION B: Answer the following questions. Each carries *five* marks.
(Ceiling 35 marks)

16. Enumerate the major steps involved in capital budgeting process.
17. A company is investing ₹5,00,000 in a new manufacturing plant with the following cash inflows:
Year 1 - ₹1,00,000, Year 2 - ₹1,20,000, Year 3 - ₹1,40,000, Year 4 - ₹1,60,000 & Year 5 – ₹1,80,000.
Calculate the Payback Period.
18. Calculate ARR for projects A and B from the following:

	A	B
Investments	₹20,000	₹30,000
Expected life (no salvage)	4 years	5 years
Projected net income (after interest, depreciation and taxes):		
Year 1	₹2,000	₹3,000
Year 2	₹1,500	₹3,000
Year 3	₹1,500	₹2,000
Year 4	₹1,000	₹1,000
Year 5	--	₹1,000

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

(PTO)

19. How can you classify the risks?
 20. A company has the following details:

Source of Funds	Amount	After-tax Cost
Equity	₹40,00,000	14%
Debt	₹20,00,000	7%
Preference Shares	₹10,00,000	10%

Calculate the weighted average cost of capital.

21. Calculate earnings per share of A Ltd. and B Ltd. assuming 20% before tax rate of return on assets based on the following data:

	A Ltd.	B Ltd.
Assets	₹20,00,000	₹20,00,000
Debt (12%)	--	₹10,00,000
Equity (shares of ₹10 each)	₹20,00,000	₹10,00,000

Assume 50% income tax in both cases.

22. Distinguish between shares and debentures.
 23. List out the functions of a finance manager.

SECTION C: Answer any two questions. Each carries ten marks.

24. Explain the factors determining capital structure.
 25. Following information are available in respect of a firm:
- Capitalization rate – 10%; Earnings per share - ₹50
 - Assumed rate of returns on investment – (a) 12%, (b) 8% and (c) 10%.
- Show the effect of dividend policy on market price of shares applying Walter's model when dividend pay-out ratio is (i) 0% and (ii) 100%.
26. Calculate IRR from the following information:
- Initial investment ₹60,000; Life of asset - 4 years

Estimated net annual cash flows:

Year	1	2	3	4
Net annual cash inflows	₹15,000	₹20,000	₹30,000	₹20,000

27. A proforma cost sheet of a company provides the following particulars:
- Elements of cost – Materials: 40%, Direct labour: 20% and Overheads: 20%.
- The following further particulars are available:
- a. It is proposed to maintain a level of activity of 2,00,000 units.
 - b. Selling price is ₹12 per unit
 - c. Raw materials are expected to remain in stores for an average period of one month.
 - d. Material will be in process, on average half a month and is assumed to be consisting of 100% raw material, wages and overheads.
 - e. Finished goods are required to be in stock for an average period of one month.
 - f. Credit allowed to debtors is two months.
 - g. Credit allowed by suppliers is one month.
- You may assume that sales and production follow a consistent pattern.
 You are required to prepare a statement of working capital requirements of the company.

(2 × 10 = 20 Marks)