D6BHC2302 (PAGES: 3) **Reg. No.............................**

Name: ....

SIXTH SEMESTER UG DEGREE EXAMINATION, APRIL 2026

(Regular/Improvement/Supplementary)

B.COM HONOURS

GBCH6B24T: FINANCIAL MANAGEMENT

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

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

Choose the Correct Answer.

1. Which of the following is NOT a primary objective of financial management?
   A) Profit maximization C) Ensuring employee satisfaction
   B) Wealth maximization D) Risk management
2. Number of years required for recovering the initial investment is called _____.
   A) NPV B) IRR C) Payback period D) ARR
3. Which of the following is not a component of the cost of capital?
   A) Cost of equity C) Cost of debt
   B) Cost of retained earnings D) Cost of production
4. Difference between Current assets and Current liability is known as ______.
   A) Fixed capital B) Working capital C) Borrowed capital D) Equity capital
5. ______ is the distribution of profits of a company among its shareholder.
   A) Dividend B) Bonus C) Capital D) Rights issue

Fill in the Blanks.

6. Compounding refers to ________.
7. The rate which equates present value of cash inflows and present value of cash outflows is called _________.
8. _________ is the minimum rate of return expected by the investors.
9. Issuing additional shares to the existing shareholders is known as ________.
10. A firm should always keep a large balance of cash so as to meet the contingencies. True or false.

(10 × 1 = 10 Marks)

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

11. Define Financial Management
12. What is time Value of money?
13. Define Capital Budgeting.

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14. What is NPV?
15. Define the term Leverage
16. Comment on bonus share.
17. What is optimal capital structure?
18. Comment on capital gearing.
19. What is Net working capital?
20. What is EOQ?

(8 × 2 = 16 Marks)

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

21. Explain the concept of wealth maximisation.
22. Discuss the components of cost of Capital.
23. What do you mean by capital structure? Discuss the major determinants of capital structure.
24. Explain different types of Leverages.
25. Cash flows of Projects A and B are as follows:

Year	Project A Cash Flows	Project B Cash Flows
Initial Investment	10,000	10,000
1	5,000	1,000
2	4,000	2,000
3	2,000	2,000
4	2,000	4,000
5	1,000	7,000

Calculate the NPV of the two projects and comment which project is suitable for investment.

26. The capital structure and after tax cost of different sources of fund are given below:

Source of Funds	Amount	Proportion to total	After tax cost (%)
Equity Share capital	7,20,000	.30	15
Retained earnings	6,00,000	.25	14
Preferential share capital	4,80,000	.20	10
Debentures	6,00,000	.25	8

You are required to calculate weighted average cost of capital.

27. Explain the factors influencing the dividend policy of a company.
28. Discuss the importance of a working capital in manufacturing firm.

(6 × 4 = 24 Marks)

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

29. Critically analyse the functions of financial manager in the modern Business world.
30. Explain different sources of Long term financing.
31. A Company needs Rs. 6,00,000 for construction of a new plant. The following three financial plans are available:
    a) The company may issue 60,000 equity shares of Rs.10 each.
    b) The company may issue 30,000 equity shares of Rs.10 each and 3,000 debentures of Rs.100 each @ 8% rate of interest.
    c) The company may issue 30,000 equity shares of Rs.10 each and 3,000 preference shares of Rs.100 each @ 8% of dividend.

    The EBIT is expected to be Rs.1,50,000.

    Corporate tax rate is 50%.

    Calculate the earnings per share under the three plans.

    Which plan would you recommend and why?

(2 × 15 = 30 Marks)