

(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2024 ONLY)

24UBM305

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI
END-OF-SEMESTER EXAMINATIONS : NOVEMBER-2025

B.B.A
SEMESTER: III

MAXIMUM MARKS: 75
TIME : 3 HOURS

PART - III
FINANCIAL MANAGEMENT

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

K1

1. Which of the following is NOT an objective of profit maximization?
 - a) Increase in shareholders' wealth
 - b) Survival of the firm
 - c) Increase in earnings per share
 - d) Maximization of return on investment
2. The weighted average cost of capital (WACC) is also known as: _____.
 - a) Marginal cost of capital
 - b) Overall cost of capital
 - c) Specific cost of capital
 - d) Historical cost of capital
3. Which of the following is a factor affecting capital structure?
 - a) Cost of capital
 - b) Market demand
 - c) Level of taxation only
 - d) Inflation rate only
4. Capital budgeting mainly deals with: _____.
 - a) Short-term investment decisions
 - b) Long-term investment decisions
 - c) Working capital decisions
 - d) Dividend decisions
5. Which of the following is NOT a determinant of working capital?
 - a) Nature of business
 - b) Seasonal variations
 - c) Dividend policy
 - d) Production cycle

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES.

K2

6. What is the expansion of LC?
7. What is the expansion of WACC?
8. What is meant by optimal capital structure in short?
9. What is the expansion of IRR?
10. What is the impact on credit policy in working capital management?

SECTION – B (5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. K3

11. a) Define the term finance function.
(OR)
b) What is meant by shares with examples?

12.a) What is meant by cost of capital?

(OR)

b) What is meant by operating leverage?

13.a) What is meant by optimal capital structure?

(OR)

b) What is meant by dividend policy?

14. a) What is meant by capital budgeting?

(OR)

b) A machine will cost ₹80,000 initially. It will also need a working capital of ₹ 20,000 at the zero period. The yearly profits before tax are expected to be ₹ 15,000 p.a. The machine has a life of 8 years and depreciation has been provided on straight line basis. The tax rate is 40%. Calculate the payback period for the machine. If the company has a policy of accepting only those projects which can be recouped in 5 years or less, should the company invest in this machine?

15.a) What are the importance of working capital management?

(OR)

b) What are the motives for holding cash?

SECTION – C

(5 X 8 = 40 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

16. a) Elucidate the objectives of financial management.

(OR)

b) Explicate the Sources of finance.

17.a) Explain the cost of specific sources of capital.

(OR)

b) Distinguish between operating leverage and financial leverage.

18. a) Describe the factors influencing capital structure.

(OR)

b) What are the determinants of dividend policy?

19. a) Explain the types of capital budgeting.

(OR)

b) A company is considering two projects, A and B, each requiring an initial investment of ₹1,00,000. The cost of capital is 10%. The cash inflows are:

Project A:

Year 1 = 40,000, Year 2 = 40,000, Year 3 = 40,000, Year 4 = 40,000

Project B:

Year 1 = 20,000, Year 2 = 30,000, Year 3 = 50,000, Year 4 = 60,000

(Note: Discount factor for year 1=0.909, year 2 = 0.826, Year 3 = 0.751, year 4 = 0.683)

Calculate NPV for both project and one is acceptable.

20. a) What are the determinants of Working capital?

(OR)

b) Explain the objectives of cash management.
