

(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2023 ONLY)

23UCF5E1

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI

END-OF-SEMESTER EXAMINATIONS : NOVEMBER-2025

**B.Com.-FINANCE
SEMESTER: V**

**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. The word finance comes from the Latin word _____.
a. Finis b. Finan c. Finans d. Finans
2. Which among these is not a specific cost?
a. Cost of debt b. Cost of equity c. Cost of asset d. Cost of reference share.
3. Which among the following is an assumption of the NOI approach?
a. The value of equity is not a residual value b. The cost of capital is dynamic
c. The capitalization rate is constant d. The capitalization rate is flexible
4. When a firm has high operating leverage then it is a _____.
a. Very risky situation b. No risk situation c. Less revenues are falling d. Moderate risky situation
5. Which of these is not a determinant of dividend policy?
a. Stability of dividend b. Capital market situation c. Both a and b d. Availability of liquid cash

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES.

(K2)

6. What is financial management?
7. Define the term cost of capital.
8. What is “Capital gearing”?
9. What is leverage?
10. Define dividend.

SECTION – B

(5 X 5 = 25 MARKS)

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

(K3)

11. a) Discover the objectives of financial management.
(OR)
b) Describe the various sources of finance.
12. a) Illustrate the significance of cost of capital.
(OR)
b) A company expects a dividend of Rs 1.00 per share next year and is expected to grow at 6 % per year perpetually. Determine the cost of equality capital , assuming the market price per share is Rs 25
13. a) Determine the payback period for a project which requires cash outlay Rs 10,000 and generates cash inflows of Rs 2,000 Rs.4,000 Rs. 3,000 and Rs. 2,000 in the first , second , third and fourth year respectively .
(OR)
b) Explain the term “ Point of indifference “. Give the formula

(CONTD.....2)

14. a) List the importance of capital Budgeting.
(OR)
b) Show the various types of Leverages.
15. a) Compare stock split and stock dividend.
(OR)
b) Explain fully Walter's formulation on dividend policy.

SECTION – C**(5 X 8 = 40 MARKS)****ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.****(K4 (Or) K5)**

16. a) Summarize the function of financial management.
(OR)
b) Discuss the role of a financial manager.
- 17.a) A company is currently earning Rs 10 lakhs .The number of outstanding shares of the company is 1 lakhs with current market price of Rs 100 per share . Assume there are no debts . Suppose the company wants to sell additional equity shares for Rs 25 lakhs .The shares involves a floatation cost of 10 % assuming that earning of the company is stable , what is the cost of equity capital
(OR)
b) Discuss the merits and demerits of the weighted average cost of capital.
18. a) Examine the net income operating approach to capital structure.
(OR)
b) Apex Ltd is expecting an annual EBIT of Rs 1 lakhs .The company has Rs. 4 lakhs in 10 % debenture .The cost of equity capital or capitalization rate is 12.5 % you are required to calculate the total value of the firm and also state the over all cost of capital under Net Income Approach
- 19.a) A chemical company is considering investing in a project that costs Rs 5,00,000 .The estimated salvage value is zero .Tax rate is 55 % .The company uses straight line depreciation and the proposal project has inflows before tax (CFBT) as follows
- | Year | 1 | 2 | 3 | 4 | 5 |
|------|----------|----------|----------|----------|----------|
| CFBT | 1,00,000 | 1,00,000 | 1,50,000 | 1,50,000 | 2,50,000 |
- Determine the pay back period.
(OR)
- b) Compare NPV and IRR.
20. a) Evaluate the different types of dividend.
(OR)
b) Discuss the Modigliani Miller's approach of irrelevance concepts of dividend and under what assumptions do the conclusions hold good?
