(FOR THE CANDIDATES ADMITTED **24 UPA 410**

DURING THE ACADEMIC YEAR 2024 -2025 ONLY) **REG.NO. :**

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

END-OF-SEMESTER EXAMINATIONS : MAY 2026

B.COM (PA) **MAXIMUM MARKS: 75**

SEMESTER- IV **TIME : 3 HOURS**

PART - III

FINANCIAL MANAGEMENT

SECTION – A **(10 X 1 = 10 MARKS)**

ANSWER THE FOLLOWING QUESTIONS. **(K1)**

1. The focal point of financial management in a firm is _____

(a) The number and types of products or services provided by the firm (b) The minimization of the amount of taxes paid by the firm (c) The creation of value for shareholders (d) The dollars profits earned by the firm

2. The capital structure that maximizes the value of the firm also _____

(a) Minimizes financial distress costs (b) Minimizes cost of capital (c) Maximizes the value of debt (d) None of these

3. What is the most important criterion in capital budgeting?

(a) Payback period (b) IRR (c) ARR (d) NPV

4. Insufficient working capital results in ____

(a) Block of cash (b) Lack of production (c) Losing interest (d) Lack of smooth flow of production

5. _____ dividend promises to pay shareholders at future date

(a) Scrip (b) Stock (c) Cash (d) Property

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES **(K2)**

6. Define cost of capital.

7. Interpret leverage

8. What is meant by Internal Rate of Return?

9. What is working capital?

10. What do you mean by leasing?

SECTION – B **(5 X 5 = 25 MARKS)**

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

11. a) List down the objectives of financial management

(OR)

b) Examine the features of equity shares.

12. a) A firm sells its only product at Rs.12 per unit. Its variable cost is Rs.8 per unit. Present sales are 1000 units. Calculate the operating leverage in each of the following situations:
a. When fixed cost is Rs.1000 b. When fixed cost is Rs.1200 c. When fixed cost is Rs.1500.

(OR)

b) B Limited has a choice of the following three financial plans:

Particulars	Plan I Rs.	Plan II Rs.	Plan III Rs.
Equity share capital	6,00,000	5,00,000	2,00,000
10% Debentures	4,00,000	5,00,000	8,00,000
EBIT	2,50,000	2,50,000	2,50,000

You are required to calculate the financial leverage in each case and interpret it.

13. a) Project Y has an initial investment of Rs.5,00,000. Its cash flows for 5 years are Rs.1,50,000, Rs.1,80,000, Rs.1,50,000, Rs.1,32,000 and Rs.1,20,000. Complete the payback period.

(OR)

b) Project K requires an investment of Rs.20,00,000 and yields profits after tax and depreciation as follows:

Year	1	2	3	4	5
Profit after tax and depreciation (Rs.)	1,00,000	1,50,000	2,50,000	2,60,000	1,60,000

At the end of 5^{th} year , the plant can be sold for Rs.1,60,000. You are required to calculate Average Rate of Return.

14. a) List the types of working capital.

(OR)

b) Describe the advantages of adequate working capital.

15. a) Sketch the nature of dividend policy

(OR)

b) Show demerits of leasing

SECTION – C (5 X 8 = 40 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.(K4 (Or) K5)

16. a) Point out the scope of financial management

(OR)

b) Analyze the following source of finance (i) Preference shares (ii) Public deposit (iii) Debentures

17. a) Discuss Net Operating Income approach to capital structure

(OR)

b) Summarize the factors to be kept in mind while determining the capital structure of a firm

18. a) A Limited company is considering investing in a project requiring a capital outlay of Rs.2,00,000. Forecast of annual income after depreciation but before tax is as follows:

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods. (a) Payback period (b) Rate of return on original investment (c) Rate of return on average investment (d) Discounted cash flow method taking cost of capital at 10% (e) Excess present value index

(OR)

b) A company is considering an investment proposal to install new milling controls. The project will cost Rs.50,000. The facility has a life expectancy of 5 years and no salvage value. The company's tax rate is 55%. The firm uses straight line method of depreciation. The estimated profits before depreciation from the proposed investment proposal are as follows.

Year	**Rs.**
1	10,000
2	11,000
3	14,000
4	15,000
5	25,000

Compute the following (i) Payback period (ii) Average Rate of Return (iii) Net Present Value at 10% discount rate (iv) Profitability Index (v) Internal Rate of Return

19. a) Discuss the sources of working capital.

(OR)

b) A Limited desires to purchase a business and has consulted you, and one point on which you are asked to advise them is the average amount of working capital which will be required in the first year's working. You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies. Calculate the amount of working capital required.

Particulars	**Rs.**
1. Average amount locked up in stock:	
Stock of finished product	5000
Stock of stores, materials etc.	8000
2. Average credit given:	
Inland sales – 6 weeks credit	3,12,000
Export sales – 1 ½ weeks credit	78,000
3. Lag in payment of wages and other out standings:	
Wages – 1 ½ Weeks	2,60,000
Stores, materials etc - 1 ½ months	48,000
Rent, royalties etc – 6 months	10,000
Clerical staff – ½ month	62,400
Manager – ½ month	4,800
Miscellaneous expenses – 1 ½ months	48,000
5. Payment in advance	
Sundry expenses (Paid quarterly in advance)	8,000
6. Undrawn profit on an average throughout the year	11,000

20. a) Interpret the advantages of leasing

(OR)

b) Details regarding three companies are given below:

N Limited	**M Limited**	**G Limited**
r=18%	r=20%	r=8%
k=15%	k=20%	k=10%
E =Rs.30	E =Rs.40	E =Rs.20

By using Walter's model, you are required to calculate the value of an equity share of each of these companies when dividend payout is (a) 60% (b) 100% and comment the results drawn.

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