

23U552 (Pages: 3) Name:

Name:

Reg. No:

FIFTH SEMESTER B.Com. PROFESSIONAL DEGREE EXAMINATION, NOV. 2025

(CUCBCSS-UG)

(Regular/Supplementary/Improvement)

CC17UBCP5B20 – FINANCIAL MANAGEMENT

(Core Course)

(2017 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

PART-A

Answer *all* questions. Each question carries 1 mark.

I. Choose the correct answer:

1. What is the primary goal of financial management?
 - (a) To minimise the risk
 - (b) To maximise the owner's wealth
 - (c) To maximise the return
 - (d) To raise profit
2. Operating leverage helps in analysis of:
 - (a) Business Risk
 - (b) Financing Risk
 - (c) Production Risk
 - (d) Credit Risk
3. A short-term lease which is often cancellable is known as
 - (a) Finance Lease
 - (b) Net Lease
 - (c) Operating Lease
 - (d) Leverage Lease
4. Which of the following assumes constant k_d and k_e ?
 - (a) Net Income Approach
 - (b) Net Operating Income Approach
 - (c) Traditional Approach
 - (d) MM Model.
5. The Which of the following are theories for dividend relevance?
 - (a) Walter's model
 - (b) MM approach
 - (c) Game theory
 - (d) Market value theory

II. Fill in the blanks:

6. Cost of Capital refers to
7. Debt Financing is a cheaper source of finance because of
8. Combined leverage can be used to measure the relationship between
9. The dividend declared between two annual general meeting is called
10. In case the firm is all-equity financed, WACC would be equal

(10 × 1 = 10 Marks)

PART-B

Answer any *eight* questions. Each question carries 2 marks.

11. Define financial management.
12. What is time value of money?
13. Distinguish between implicit cost of capital and explicit cost of capital.
14. Define capital structure.
15. What is trading on equity?
16. What is meant by relevance theory of dividend?
17. How NPV is calculated?
18. Write the formula of Walter's model.
19. What is financial lease?
20. What is inventory management?

(8 × 2 = 16 Marks)

PART-C

Answer any *six* questions. Each question carries 4 marks.

21. Explain the different types of leases.
22. A company has issued debentures having coupon rate 14%, flotation cost 10% and the face value ₹ 100. The company is in the tax bracket of 35%. The debentures would be redeemed after 5 years at a premium of 10%. Find the cost of debt.
23. State the importance of working capital management.
24. A project costs ₹ 25,000 and has a scrap value of ₹ 5,000 after 5 years. The Net profit before depreciation and taxes for the five years period are expected to be ₹ 5,000, ₹ 6,000, ₹ 7,000, ₹ 8,000 and ₹ 10,000. You are required to calculate the accounting rate of return assuming 50% rate of tax and depreciation on straight line method.
25. Why is maximizing wealth a better goal than maximizing profit?
26. What are the advantages and limitations of using retained earnings?
27. Calculate operating leverage and financial leverage from the following data.

Sales (1,00,000 units)	= ₹ 2,00,000
Variable cost per unit	= ₹ 0.70
Fixed cost	= ₹ 65,000
Interest charges	= ₹ 15,000
28. What is capital structure? What are the factors determining capital structure?

(6 × 4 = 24 Marks)

(2)

PART-D

Answer any *two* questions. Each question carries 15 marks.

29. From the following information, calculate IRR.

Cost ₹ 22,000

Cash inflows Year 1 = ₹ 12,000

Year 2 = ₹ 4,000

Year 3 = ₹ 2,000

Year 4 = ₹ 10,000

(Use PV Table for Discount factor)

30. Differentiate between NI approach and NOI approach.
31. Discuss the various Intermediate and long-term sources of finance.

(2 × 15 = 30 Marks)

(3)