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**Question Paper Code: 97C01**

B.E./B.Tech. DEGREE EXAMINATION, APRIL 2024

Seventh Semester

Computer Science and Business Systems

19UCB701- FINANCIAL MANAGEMENT

(Regulations 2019)

Duration: Three hours

Maximum: 100 Marks

Answer ALL Questions

PART A - (10 x 1 = 10 Marks)

1. The appropriate objective of an enterprise is: CO1-U
  - (a) Maximization of sales
  - (b) Maximization of profit
  - (c) Maximization of wealth
  - (d) Maximization of profit and owners wealth
  
2. Which of the following are microeconomic variables that help define and explain the discipline of finance? CO1-U
  - (a) Risk and return
  - (b) Capital structure
  - (c) Inflation
  - (d) All of the above.
  
3. The value of the bond depends on CO1-U
  - (a) Coupon rate, yield to maturity and expected yield of maturity
  - (b) Face value and treasury bills
  - (c) The market rate which gives the value of the bond
  - (d) Short-term bonds
  
4. Cost of retained earnings is the \_\_\_\_ cost of dividends foregone by the shareholders CO1-U
  - (a) Expected dividend
  - (b) Opportunity
  - (c) Present dividend
  - (d) Risk
  
5. Duration is the measure of CO1-U
  - (a) Interest rate risk
  - (b) Time structure and market risk
  - (c) Time structure and interest rate risk
  - (d). Time structure of bond
  
6. If EBIT is 15,00,000 interest 2,50,000 corporate tax 40% then the degree of CO1-U

financial leverage is

- (a) 1.41                      (b) 1.31                      (c) 1.20                      (d) 1.11
7. Net present value of inflows is calculated by deducting cost of investment from the total \_\_\_\_\_ CO1-U  
(a) Treasury bills                      (c) Present value of cash inflows  
(b) past value of income flow                      (d) future value of cash flow
8. Profitability index is also known as CO1-U  
(a) Cost ratio                      (c) Time ratio  
(b) Income ratio                      (d) Present ratio
9. The gross working capital is a \_\_\_\_\_ concern concept CO1-U  
(a) going                      (b) true and fair                      (c) money measurement                      (d) realization
10. Longer the process period of \_\_\_\_\_, longer the amount of working capital required CO1-U  
(a) par value of money                      (c) manufacture  
(b) working expenditure                      (d) Regular income of firm

PART – B (5 x 2= 10Marks)

11. What are the objectives of finance function? CO1-U
12. Bonds do not give the right of ownership, yet they are considered to be the senior securities. comment CO1-U
13. If Operating fixed cost is 20,000, sales 1,00,000 and P/V ratio is 40% then find the value of the operating leverage. CO2-App
14. What are the limitations of capital budgeting? CO1-U
15. What are the sources of working capital management? CO1-U

PART – C (5 x 16= 80Marks)

16. (a) Explain about the various Types of finance with example CO1-U (16)  
Or  
(b) What should be the common goal of a firm for smooth running of business? CO1-U (16)
17. (a) Ram purchased 5 year bond of Rs 1000 per value. Bond bears a rate of interest at 10%. What should he be willing to pay now to purchase the bond if on maturity he will receive the bond value? CO2-AP (16)  
Or  
(b) A bond of face value Rs1000 has a coupon rate of 10% and CO2-AP (16)

redeemable at 5 years. It is being traded in market at Rs 1200 currently.

Find

- (i) YTM of bond
- (ii) YTM if semiannual interest is given .

18. (a) (i) Find out the operating leverage from the following data CO2-AP (16)

Sales	50,000
Variable cost	60%
Fixed cost	12,000

(ii) Find out financial leverage from the following:

Net worth	25,00,000
Debt/equity	3:1
Interest rate	12%
Operating profit	20,00,000

Or

- (b) A company issues 10,000 10% Preference Shares of Rs. 100 each. CO2-AP (16)

Cost of issue is Rs 2 per share. Calculate cost of preference capital if these shares are issued

- (a) at par,
- (b) at a premium of 10%, and
- (c) at a discount of 5%.

19. (a) What is capital budgeting? Examine its need and importance. CO1-U (16)

Or

- (b) Explain the practical utility of capital budgeting. CO1-U (16)

20. (a) From the following information extracted from the books of a CO2-AP (16)

manufacturing concern, compute the operating cycle in days:

Period covered	365 days
Average period of credit allowed by suppliers	16 days
Average total of debtors outstanding	480
Raw material consumption	4400
Total production cost	10,000
Sales for the year	10500
Value of average stock maintained	
Raw material	320
Work in progress	350
Finished goods	260

Or

- (b) Prepare an estimate of working capital requirement from the following information of a trading concern: CO2-AP (16)

Project annual sales	1,00,000 units
Selling price	Rs. 8 per unit
% age of net profit on sales	25%
Average credit period allowed to customers	8 weeks
Average credit period allowed by suppliers	4 weeks
Average stock holding in terms of sales requirement	12 weeks
Allow 10% for contingencies	