CBCS SCHEME

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BCB402

Fourth Semester B.E./B.Tech. Degree Examination, June/July 2025

Financial Management

Time: 3 hrs. Max. Marks: 100

Note: 1. Answer any FIVE full questions, choosing ONE full question from each module.
2. M : Marks , L: Bloom's level , C: Course outcomes.

		Module – 1	M	L	C
Q.1	a.	Explain the role of financial management.	10	L2	CO1
	b.	Explain the scope and nature of financial management.	10	L2	CO1
		OR			
Q.2	a.	What are the objectives of financial management? Explain.	10	L1	CO1
	b.	Explain the functions of financial management.	10	L2	CO1
		Module – 2			
Q.3	a.	Explain the discounting and compounding techniques of time value of money.	10	L2	CO2
	b.	Mr. Suresh invests Rs. 500, Rs.1000, Rs.1500, Rs. 2000 and Rs, 2500 at the end of each year. Calculate the compounded value at the end of 5 years. Compounded annually when interest charged is 5% per annum.	10	L3	CO2
		OR			
Q.4	a.	Calculate the compounded value of Rs. 10,000 at the end of 3 years at 12% rate of interest when interest is calculated: i) Yearly ii) Half yearly iii) Quarterly iv) Monthly	10	L3	CO2
	b.	Gopal is required to pay five equal annual payments of Rs. 10,000 each in his deposit account that pays 10% interest per year. Find out the future value of annuity at the end of 5 years.	10	L2	CO3
		Module – 3			
Q.5	a.	Briefly explain the different techniques of Capital budgeting	10	L2	CO3
	b.	A company is considering an investment proposal to install a new machine. This project will cost Rs. 100000 and will have 5 years life with no salvage value. Tax rate is 50%. The company follows straight Line method of depreciation. The earnings before depreciation and tax as follows Years: 1 / 2 / 3 / 4 / 5 EBDT(Rs.): 20,000 / 22,000 / 28,000 / 30,000 / 50,000 Evaluate the project using : i) Pay Back Period ii) Profitability Index at 10%	10	L3	CO3

Years	1	2	3	4	5
EBDT(Rs.)	20,000	22,000	28,000	30,000	50,000

OR

Q.6	a.	From the following information advise acceptability of a project using IRR method. Investment outlay Rs. 85,000, cost of capital is 15%	10	L3	CO3

Annual Cash Inflow

Years	1	2	3	4	5
Cash Inflow (Rs)	10,000	20,000	30,000	45,000	60,000

	b.	The expected cash flows of a project are as follow:	10	L3	CO3

Years	0	1	2	3	4	5
Cash flow	100000	20000	30000	40000	50000	30000

The cost of capital is 12% Calculate the following
i) Net present value
ii)Profitability Index

Module – 4

Q.7	a.	A company has on its books the following amounts and specific cost of each type of Capital .	10	L3	CO4

Type of capital	Book value (Rs.)	Market value (Rs.)	Specific Cost (%)
Debt Capital	400000	380000	5
Preference	100000	110000	8
Equity	600000	1200000	15
Retained earnings	200000		13
	1300000	1690000	

Determine the weighted overage cost of capital using:
i) Book value weight and
ii) Market value weight

	b.	Explain the different measurement techniques of cost of capital	10	L2	CO4

OR

Q.8	a.	A Company has the following capital structure:	10	L3	CO4

Source	(Rs.)
Equity share capital (4,00,000 shares of Rs. 20 each)	800000
10% preference shares	200000
12% debenture	200000

The equity share of the companies are currently traded at Rs. 25 / share. The company's expected dividend is Rs. 2 per share for the next year which has a constant ground rate of 5%, assuming 50% tax rate you are required to compute the weighted average cost of capital.

	b.	i) B Limited issues Rs. 1,00,000, 9% debentures at a premium at 10%. The costs of flotation are 2%. The tax rate applicable is 60%. Compute cost of debt. ii) XYZ company has debenture outstanding with 5 years left before maturity. The debentures are currently selling for Rs. 90 (force value is Rs. 100) The debentures are to be redeemed at 5% premium. The interest is paid annually at a rate of interest of 12%. The firm's tax rate is 35%. Calculate kd.	10	L3	CO4

Module – 5

Q.9	a.	Explain the nature and concepts of working capital	10	L2	CO4
	b.	Explain the long term sources of finance	10	L2	CO4

OR

Q.10	a.	What are the sources of working capital? Explain.	10	L2	CO5
	b.	Explain the factors affecting on working capital.	10	L2	CO1