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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.
3. Use of Interest Factor Table is permitted.

		Module – 1	M	L	C
Q.1	a.	Explain the three major decisions as functions of finance.	10	L2	CO1
	b.	Briefly explain the key activities of the financial manager.	10	L2	CO1
		OR			
Q.2	a.	Describe Finance, Financial Services and Financial Managers.	10	L2	CO1
	b.	Distinguish between profit maximization and wealth maximization objectives of a firm.	10	L2	CO1
		Module – 2			
Q.3	a.	Shriya promises to give you Rs. 5000 after 10 years in exchange for Rs. 1000 today. Calculate the interest rate implicit in this offer. Also, if you deposit the same amount of Rs. 1000 in a bank that offers 10 percent interest rate how much amount will you receive after 5 years? Compare the two choices and determine which choice is better.	10	L3	CO2
	b.	Calculate the present value of Rs. 60,000 receivable after 8 years of the rate of discount is i) 10 percent ii) 12 percent iii) 15 percent.	10	L3	CO2
		OR			
Q.4	a.	You want to take a world tour which costs Rs. 10,00,000, the cost is expected to remain unchanged in nominal terms. You are willing to save annually Rs. 80,000 to fulfill your desire. Calculate how long you will have to wait if your savings earn a return of 12 percent per annum.	10	L3	CO2
	b.	An investor deposits Rs. 20,000 in a bank account for 5 years at 8 percent interest. calculate the amount which he will have in his account if interest is compounded i) annually ii) semi-annually iii) quarterly iv) continuously.	10	L3	CO2
		Module – 3			
Q.5	a.	Explain the nature of capital budgeting decisions. Express the importance of such decisions for a business enterprise.	10	L2	CO3
	b.	A company is considering which of two mutually exclusive project if should undertake. The company anticipates a cost of capital of 10% and net after tax cashflows of the project are as follows : (see table below) Calculate the NPV and PI of each project. Inter with reasons which project you would recommend.	10	L3	CO3

Year	0	1	2	3	4	5
Project X (Rs.'000)	210	40	80	90	75	25
Project Y (Rs.'000)	210	222	10	10	6	6

		OR			
Q.6	**a.**	Explain the following techniques of capital budgeting with their respective merit and demerits : i) Accounting rate of return ii) Internal rate of return.	**10**	**L2**	**CO3**
	b.	From the information given below, calculate the payback period : Initial outlay : Rs. 80,000 Estimated life : 5 years <table><tr><td>End of year</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td>Profit after tax : (Rs)</td><td>6,000</td><td>14,000</td><td>4,000</td><td>6,000</td><td>10,000</td></tr></table>	**10**	**L3**	**CO3**
		Module – 4			
Q.7	**a.**	Express the common misconceptions surrounding cost of capital in practice and measures to dispel them.	**10**	**L2**	**CO4**
	b.	Omega Enterprises issued 10 years, 9% preferences shares 4 years ago. The preference share which has a face values of Rs. 100 is currently selling for Rs. 92. Calculate the cost of preference shares.	**10**	**L3**	**CO4**
		OR			
Q.8	**a.**	Explain the factors affecting the weighted average cost of capital.	**10**	**L2**	**CO4**
	b.	Suman Corporation manufactures specialty chemicals. Its debt equity ratio is 0.8. Its WACC is 15 percent and its tax rate is 30 percent. If Suman's cost of equity is 20 percent calculate its pretax cost of debt. If Suman can issue debt at an interest rate of 13 percent, calculate its cost of equity.	**10**	**L3**	**CO4**
		Module – 5			
Q.9	**a.**	Expression the salient features of debentures.	**10**	**L2**	**CO5**
	b.	Explain working capital management.	**10**	**L2**	**CO5**
		OR			
Q.10	**a.**	Describe the advantages and disadvantages of preference capital.	**10**	**L2**	**CO5**
	b.	Explain the determinants of working capitals.	**10**	**L2**	**CO5**

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