Register No : ____________________

THE KAVERY ENGINEERING COLLEGE

(An Autonomous Institution)

UG/PG DEGREE END SEMESTER THEORY EXAMINATIONS, APRIL-MAY 2026

Second Semester

Department of Management Studies

PMBT2422- FINANCIAL MANAGEMENT

(Time Value of Money table Can be Permitted)

Regulations –2024

Duration : 3 Hrs ***Maximum : 100 Marks***

PART – A(ANSWER ALL QUESTIONS) (Marks 10*2=20)

Q.No	Questions	BLT	CO	Marks
1.	What is Yield of Maturity? How the appropriate YTM of redeemable bonds is calculated?	L1	1	2
2.	Write the concept of time value of money.	L2	1	2
3.	Mention the objectives of capital budgeting?	L1	2	2
4.	What do you mean by cost of retained earnings?	L1	2	2
5.	Define the term indifference Point?	L1	3	2
6.	State the different forms of dividend.	L2	3	2
7.	What is fluctuating working capital?	L1	4	2
8.	Define factoring?	L1	4	2
9.	How stock split is different from Bonus Shares?	L2	5	2
10.	What is Operating Lease?	L1	5	2

PART – B (ANSWER ALL QUESTIONS) (Marks 5*16 = 80)

Q.No		Questions	BLT	CO	Marks
11.	a	Discuss the nature, scope and functions of financial management.	L4	1	16
		Or			
	b	Identify the reason why profit/EPS maximization fail to be consistent with wealth maximization.	L4	1	16
12.	a	The following particulars relate to two machines producing identical products.	L4	2	16

Particulars	Machine A	Machine B
Original cost	Rs 1,00,000	Rs 1,50,000
Working Life	5 years	5 years
Profit before depreciation	Rs	Rs
I Year	30,000	40,000
II Year	15,000	45,000
III Year	40,000	50,000
IV Year	40,000	24,000
V Year	35,000	71,000

Tax Rate	50%	50%

a) Calculate Pay – back methods.
b) Calculate Average rate of return assuming that machines A and B have scrap values of Rs 10,000 and Rs 20,000 respectively at the end of the fifth year.

Or

b Calculate the cost of capital in the following cases: L4 2 16

(a) A company raised a capital of Rs. 1,00,000 by the issue of 10% Preference Shares of Rs. 10 each issued at (i) 10% premium and (ii) 10% discount.

A company has 10% Redeemable Preference Shares which are redeemable at the end of 10 years from the date of issue. The underwriting expenses are expected to be 2%.

13. a The following figures relate to two companies: L5 3 16

Particulars	P Ltd. (Rs. In lacs)	Q Ltd. (Rs. In lacs)
Sales	750	1,000
Variable cost	300	300
Contribution	450	700
Fixed cost	225	400
EBIT	225	300
INTEREST	75	100
Profit before tax	150	200

You are required to (a) Calculate the operating, financial and combined leverages for the two companies and (b) Comment on the relative risk position of the two firms.

Or

b A company belongs to a risk class for which the appropriate capitalization rate is 10%. It currently has outstanding 25,000 shares selling at Rs. 100 each. The firm is contemplating the declaration of a dividend of Rs. 5 per share at the end of the current financial year. It expects to have a net income of Rs. 2,50,000 and has a proposal for making new investments of Rs. 5,00,000. Show that under MM assumptions, the payment of dividend does not affect the value of the firm. L5 3 16

14. a Arun Ltd provides the following particulars. Raw materials 40%, Labour 10%, Overheads 30 %. L5 4 16

The following details are also available.

a) Raw materials remain in stores for 5 weeks.
b) Processing time – 4 weeks
c) Finished goods are in stock for 5 weeks
d) Period of credit allowed to debtors 10 weeks
e) Lag in payment of wages 2 weeks
f) Period of credit allowed by creditors 4 weeks
g) Selling price Rs 50 per unit
h) Production in units 13,000 per annum.

Prepare an estimate of working capital.

Or

	b	What are the key aspects or dimensions of cash management, and how do they influence a company's liquidity, operational efficiency, and overall financial health?	L5	4	16
15.	a	Evaluate the various sources of long-term finance available to Indian companies, comparing their advantages and disadvantages, especially in the context of shares, debentures, and term loans.	L5	5	16
		Or			
	b	Discuss how venture capital finance is operates. What are the functions of venture capital finance.	L5	5	16

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