Roll No.												

PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – December 2025

Date: 13 – 12- 2025 **Time:** 09:30am – 12:30pm

School: SOL	**Program:** BBA LLB (Hons)	
Course Code : BBL2001	**Course Name:** Financial Management	
Semester: III	**Max Marks**: 100	**Weightage**: 50%

CO - Levels	**CO1**	**CO2**	**CO3**	**CO4**	**CO5**
Marks	**22**	**12**	**17**	**22**	**17**

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks. **10Q x 2M=20M**

1.	What is the meaning of financial management?	2 Marks	L1	CO1
2.	Who is a treasurer?	2 Marks	L1	CO1
3.	Define present value.	2 Marks	L1	CO2
4.	What is meant by compounding?	2 Marks	L1	CO2
5.	What is weighted average cost of capital?	2 Marks	L1	CO3
6.	State any two determinants of capital structure.	2 Marks	L1	CO3
7.	State the meaning of cash dividend.	2 Marks	L1	CO4
8.	What is NPV?	2 Marks	L1	CO4
9.	State the formula for net working capital management.	2 Marks	L1	CO5
10.	Recall the meaning of permanent working capital.	2 Marks	L1	CO5

Part B

Answer the Questions. **Total Marks 80M**

11.	a.	What is the importance of Finance?	2 Marks	L1	CO1
	b.	Explain the types financial decisions.	4 Marks	L2	CO1
	c.	Describe the need for sound financial planning.	4 Marks	L2	CO1
Or					
12.	a.	Explain profit maximization and wealth maximization with advantages and disadvantages.	10 Marks	L2	CO1

13.	a.	Outline different positions in the organisation structure of Finance in a business with the diagram.	10 Marks	L1	CO1
Or					
14.	a.	Royal Enterprises appointed Rajiv as the new trainee under finance manager. The company assigned him to assist running the upcoming project. You are asked to explain the **roles of a financial manager** to him.	5 Marks	L1	CO1
	b.	Explain private finance and public finance with examples.	5 Marks	L2	CO1

15.	a.	Explain the concept of time value of money and need for time value of money.	6 Marks	L2	CO2
	b.	Compare Compounding and Discounting methods.	4 Marks	L2	CO2
Or					
16.	a.	Ms. Saroja invested Rs. 20000 at beginning of every year. Apply the compounding equation to find out the future value of the investment after 4 years if the interest rate is 10% per annum.	5 Marks	L3	CO2
	b.	The investment Lucrative Investments assures you a cash flow of 25000, 26000 and 27000 rupees for the next 3 years. Identify the present value of the investment if the discount rate is 11%.	5 Marks	L3	CO2

17.	a.	Give a detailed note on the different capital sources like equity, debentures, preference shares and retained earnings. Also explain the advantages and disadvantages.	15 Marks	L2	CO3
Or					

<table>
<tr><td>18.</td><td>a.</td><td>R Ltd. issues, 10% debentures with a face value of Rs. 120. The tax rate applicable to the company is 35%. Compute the cost of debt capital if:
a) The debenture is issued at par
b) The debenture is issued at premium of 5%
c) The debenture is issued at a discount of 10%.</td><td>5 Marks</td><td>L3</td><td>CO3</td></tr>
<tr><td></td><td>b.</td><td>From the given information, find out the weighted average cost of capital
<table><tr><th>Capital</th><th>Amount</th><th>Specific Cost of capital</th></tr><tr><td>Share Capital</td><td>800,000</td><td>15%</td></tr><tr><td>Debt</td><td>600,000</td><td>9%</td></tr><tr><td>Profits Retained</td><td>400,000</td><td>15%</td></tr><tr><td>Preference Shares</td><td>2,00,000</td><td>11%</td></tr></table></td><td>10 Marks</td><td>L3</td><td>CO3</td></tr>
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<table>
<tr><td>19.</td><td>a.</td><td>Explain the advantages of adequate working capital.</td><td>8 Marks</td><td>L2</td><td>CO5</td></tr>
<tr><td></td><td>b.</td><td>What is cash management? Explain the objectives of cash management.</td><td>7 marks</td><td>L2</td><td>CO5</td></tr>
<tr><td colspan="6">Or</td></tr>
<tr><td>20.</td><td>a.</td><td>Mr. Satish was appointed as the new finance officer to manage the current assets of the Naresh Ltd. Explain the major factors that he should be aware of for determining the level of working capital in the firm.</td><td>10 Marks</td><td>L2</td><td>CO5</td></tr>
<tr><td></td><td>b.</td><td>Discuss the difference between gross working capital and net working capital with examples.</td><td>5 marks</td><td>L2</td><td>CO5</td></tr>
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<table>
<tr><td>21.</td><td>a.</td><td>Verma Limited proposes to invest 3,50,000 rupees in a project. The expected cash flow generated from the project are 95,000, 85,000, 100,000 and 160,000 for the next 4 years. Make use of IRR and advise the management whether to invest or not. The expected return from the project is 8%. Use trial discount rates 7% and 11%.</td><td>15 Marks</td><td>L3</td><td>CO4</td></tr>
<tr><td></td><td>b.</td><td>Nexus Limited proposes to invest Rs 1,70,000 in project X or Project Y. Calculate payback period of the projects and choose the best project.
Project A- Cash inflows: 32000 for the next 6 years.
Project B- Cash Inflows: 30000, 40000, 30000, 45000, 30000 for the next 5 years.</td><td>5 marks</td><td>L3</td><td>CO4</td></tr>
<tr><td colspan="6">Or</td></tr>
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<table>
<tr><td>22.</td><td>a.</td><td>Explain the various traditional and modern techniques of capital budgeting.</td><td>10 Marks</td><td>L2</td><td>CO4</td></tr>
<tr><td></td><td>b.</td><td>Two mutually exclusive projects, Project P and Project Q are presented in front of Raksha Ltd. Both projects have an investment of Rs. 300000. The discount rate is 10%. Suggest the best project by using NPV method.
<table>
<tr><th>Project P</th><th>Project Q</th></tr>
<tr><td>Cash inflows:
Year 1: ₹160,000
Year 2: ₹140,000
Year 3: ₹120,000</td><td>Cash inflows:
Year 1: ₹180,000
Year 2: ₹120,000
Year 3: ₹120,000</td></tr>
</table></td><td>10 Marks</td><td>L3</td><td>CO4</td></tr>
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