APRIL 2025 **72267/250C3B**

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions in about 30 words each.

1. Differentiate finance and economic.
2. What is Private finance?
3. Define cost of capital.
4. What do you mean by investment?
5. Write short note on debt and equity.
6. List out the components of cost of capital.
7. State the objectives of capital budgeting.
8. What is Net present value method?
9. What is meant by dividend?
10. State the types of dividend policy.
11. Define current assert.
12. State the objectives of working capital.

SECTION B — ($5 \times 5 = 25$ marks)

Answer any FIVE questions in about 200 words each.

13. Describe the role of finance manager in a modern business.

14. Explain the several functions of financial management.

15. Briefly discuss the factors that affect capital structure determination.

16. What is meant by leverage? Explain different types of leverage.

17. Certain projects require an initial cash outflow of Rs. 25,000. The cash inflows for 6 years are Rs. 5,000, 8,000, 10,000, 12,000, 7,000 and 3,000. Calculate payback period.

18. Explain the company law provisions on dividend policy.

19. Describe the operating cycle of working capital with suitable diagram.

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. Why short-term finance is a necessity for business enterprises? List and explain the various sources of short-term finance.

21. "NI approach is relevant to the capital structure and value of the firm." Discuss with illustration.

22. AVR Ltd. is considering the purchases of a machine. Two machines are available as E & F. the cost of each machine is Rs. 60,000. Each machine has an expected life of 5 years. Net profits before tax (after depreciation) during the expected life of the machine are given below:

Year	Machine E	Machine F
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000
Total	85,000	90,000

Following the method of return on investment ascertain which of alternative will be more profitable. The average rate of tax may be taken at 50%.

23. Critically examine the assumption underlying the irrelevance hypotheses of MM approach regarding dividend distribution.

24. Discuss the factors that can be considered while estimating working capital requirements of a business firm.