Part B

Part B1. Answer any 2 question from the bunch for CO4. Each question carries 6 marks

Q. No	Questions	CO	Level of Question
13.	Define cost of capital and explain its importance in financial decision-making.	4	U
14.	A company has equity share capital of ₹8,00,000 and long-term debt of ₹2,00,000. Calculate the debt–equity ratio and comment briefly on the result.	4	Ap
15.	Explain any three factors affecting the capital structure decision of a company.	4	U

(2 x 6= 12 marks)

Part B2. Answer any 2 question from the bunch for CO3. Each question carries 6 marks

Q. No	Questions	CO	Level of Question
16.	A project costs ₹60,000 and generates ₹15,000 annually for 5 years. Calculate the payback period and interpret your result.	3	Ap
17.	Define investment appraisal and state any three objectives of conducting it.	3	U
18.	Explain NPV. What are the advantages of NPV over IRR?	3	U

(2 x 6= 12 marks)

Part B3. Answer any 2 question from the bunch for CO1. Each question carries 6 marks

Q. No	Questions	CO	Level of Question
19.	Differentiate between Modigliani Miller with tax and without tax theories.	1	U
20.	Explain Retained Earnings. Mention the advantages of using retained earnings as the main source of finance over other sources.	1	U
21.	Explain the term financial leverage. Explain how it can affect the earnings of equity shareholders.	1	U

(2 x 6= 12 marks)

Part C

Answer any 1 question from the bunch for CO2. Each question carries 10 marks

Q. No	Questions	CO	Level of Question
22.	**Working Capital Analysis and Ratios** **Question:** ABC Ltd. has the following balances (₹): **Particulars** — **Amount** Cash — 15,000 Accounts Receivable — 40,000 Inventory — 60,000 Prepaid Expenses — 5,000 Accounts Payable — 25,000 Short-term Loans — 20,000 Accrued Expenses — 10,000 **Tasks:** a) Calculate: i) Total Current Assets ii) Total Current Liabilities iii) Net Working Capital b) Calculate the **Current Ratio** and **Quick Ratio**. c) Comment on the liquidity position of the company.	2	Ap
23.	**Working Capital Forecast and Management** **Question:** XYZ Ltd. expects the following for the next quarter (₹): ● Opening Cash: 20,000 ● Accounts Receivable: 50,000 ● Inventory: 80,000 ● Accounts Payable: 40,000 ● Short-term Borrowings: 10,000 **Additional Information:** ● Sales are expected to increase by 20% and purchases by 25%. ● XYZ Ltd. wants to maintain a **current ratio of 2:1**. **Tasks:** a) Calculate the **required Current Assets** to maintain the desired current ratio. b) Determine whether additional working capital needs to be raised or excess exists. c) Explain **two strategies** to optimize working capital.	2	Ap

(1 x 10= 10 marks)

TB253000R

Reg. No.....

Name.....

BACHELOR'S DEGREE EXAMINATION, OCTOBER 2025
(2024 Admission Regular)
SEMESTER III – MAJOR (COMMERCE)
CO3DSEA04B24 – FINANCIAL DECISION MAKING

Time: 2 Hours **Maximum Mark: 70**

Part A

Answer all questions. Each question carries 2 marks

Q. No	Questions	CO	Level of Question
1.	Define cost of capital.	4	U
2.	Current Assets = ₹1,50,000 and Current Liabilities = ₹90,000. Calculate the working capital.	2	U
3.	Explain capital structure.	1	U
4.	A project costs ₹40,000 and earns ₹10,000 per year for 4 years. Find the payback period.	3	U
5.	State any two sources of long-term finance for a company.	4	R
6.	If the cost of debt is 10% and the tax rate is 30%, calculate the after-tax cost of debt.	4	U
7.	Which of the following is not a component of capital structure? a) Equity Share Capital b) Preference Share Capital c) Debentures d) Closing Stock	1	U
8.	Define payback period.	3	R
9.	State the key assumption of the Modigliani-Miller theorem that leads to the conclusion that capital structure is irrelevant?	1	U
10.	Name any two methods of investment appraisal other than payback period.	3	U
11.	State the primary objective of the Economic Order Quantity (EOQ) model.	2	U
12.	In receivables management, what does a shorter 'Average Collection Period' generally indicate?	2	U

(12 x 2= 24 marks)