REG.NO.: 24BDS0135

VIT

Vellore Institute of Technology

(Deemed to be University under section 3 of UGC Act, 1956)

CONTINUOUS ASSESSMENT TEST - II
WINTER SEMESTER 2025-2026

SLOT: F2+TF2

Programme Name & Branch	: **B.TECH (BBS) - ELECTIVE**
Course Code and Course Name	: **MGT2003 - FINANCIAL MANAGEMENT**
Faculty Name(s)	: **Dr Manoharan M**
Class Number(s)	: **VL2025260506187**
Date of Examination	: **22-03-2026**
Exam Duration	: **90 minutes** — **Maximum Marks: 50**

General instruction(s):

- Answer All Questions
- Use of Present & Future Value tables permitted
- M - Max mark; CO – Course Outcome; BL – Bloom's Taxonomy Level (1 – Remember, 2 – Understand, 3 – Apply, 4 – Analyse, 5 – Evaluate, 6 – Create)
- Course Outcomes
  1. CO-3 - To evaluate the "Leverage" , "cost of capital" and the projects using the Capital budgeting concepts
  2. CO-4 - To understand the Capital components, their implications and Working Capital requirement
  3. CO-5 - To analytically view the Components of Working Capital.

Q. No	Question	M	CO	BL
1.	Explain the objectives of cash management in a firm. How does effective cash management help in maintaining liquidity and profitability?	10	4	2
2.	Explain the concept of the operating cycle and cash conversion cycle. Discuss how efficient management of inventory, receivables, and payables can reduce the operating cycle and improve liquidity.	10	5	2
3.	Define financial leverage. Explain how the use of debt financing affects the earnings per share (EPS) and the financial risk of a firm.	10	3	5
4.	A firm is evaluating a project with the following information: • Initial investment = **₹4,00,000** • Project life = **5 years** • Annual cash inflow = **₹1,10,000** • Salvage value at the end of year 5 = **₹50,000** • Cost of capital = **12%** **Calculate:** 1. The **present value of annual cash inflows**.(5) 2. The **present value of the salvage value**. (2) 3. The **Net Present Value** and comment on the decision.(3)	10	3	3

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5.	A company produces **12,000 units per year.** Cost per unit: **Cost Component** / **Amount (₹)** Raw Materials: 40 Direct Labour: 20 Overheads: 30 Total Cost: 90 Additional Information: • Raw materials remain in store for **2 months** • Work-in-progress period **1 month** (50% of labour & overheads are considered) • Finished goods remain in warehouse for **1 month** • Debtors allowed **2 months credit** • Creditors allow **1 month credit** • Cash balance required **₹20,000** Estimate the **Working Capital Requirement.**	10	4	3

Cost Component	Amount (₹)
Raw Materials	40
Direct Labour	20
Overheads	30
Total Cost	90

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