

University of Mumbai
Examination May 2023

Course Code: **ILO8022** and Course Name: **Finance Management**

Time: 3 Hrs

Max. Marks: 80

Note : 1.Question No- 01 is compulsory . Solve any 3 out of remaining

2. Use of Financial Calculator is permitted

Q.1 Solve any Four out of Six.

[5 marks each]

1. What are the different types of financial statements? Explain their purpose and importance.
2. Explain the concept of cost of capital.
3. What are the different types of financial ratios, and how are they used to analyze a company's financial performance?
4. What is working capital, and why is it important for a company's financial health?
5. Explain the concept of time value of money, and how it affects financial decision making?
6. What are the different types of financial markets, and how do they operate?

Q.2

A) What is the role of financial institutions in the economy? Justify their role in economic growth of the country [10]

B) A company is considering investing in a new project that requires an initial investment of INR 2,00,000. The project is expected to generate cash inflows of INR 50,000, INR 1,00,000, and INR 1,50,000 in the next three years, respectively. The company's cost of capital is 10%. Calculate the net present value (NPV) of the project and advise whether the project should be accepted or rejected. [10]

Q.3 A) Explain the concept of diversification in investing, and how diversification reduces risk. [10]

B) A company is considering investing in a project that requires an initial investment of INR 2,50,000. The project is expected to generate cash inflows of INR 75,000, INR 1,25,000, INR 1,50,000, and INR 2,00,000 in the next four years, respectively. If the company's cost of capital is 12%, calculate the project's internal rate of return (IRR). [10]

1. Q.4 A) What are the different capital budgeting techniques that a business can use to evaluate investment proposals and how they are different from each other?

[10]

B) The following information pertains to a company's inventory:

- (a). Beginning inventory: INR 10,00,000
- (b). Ending inventory: INR 12,50,000
- (c). Purchases: INR 20,00,000
- (d). Sales: INR 25,00,000

What is the company's inventory turnover ratio and average days in inventory? [10]

Q.5

2. A) What is the concept of capital structure, and how does it affect a company's financial performance? What is working capital management and why is it important for a business? [10]

B) What are the different types of dividend policies that companies can adopt? [10]

Q.6 Solve any Four out of Six.

[5 marks each]

1. What is the difference between systematic risk and unsystematic risk?
2. What is the difference between capital structure and capital budgeting?
3. What is the relationship between covariance and correlation?
4. What is the present value of a cash flow of INR 10,000 received 5 years from now, assuming a discount rate of 7%?
5. What is a dividend policy?
6. Explain the concept of risk and return. How are they related to each other?