QUESTION BANK

B.Tech : Course Code: MGT212

Semester: VII

INTRODUCTION TO FINANCIAL MANAGEMENT

1. What is the difference between long-term and short term finance functions or decisions?
2. Name four finance functions or decisions. Briefly explain each one of them.
3. What is the nature of investment decisions?
4. Briefly explain the nature of financing decisions?
5. How will you describe dividend decision?
6. What is involved in the management of liquidity?
7. Discuss the approaches to financial management.
8. Who is a financial manager?
9. What role does a financial manager play?
10. What is the financial manager's role in raising funds and allocating funds?
11. What is profit planning? How is it related to finance function?
12. What are capital markets? Why should a financial manager understand capital markets?
13. What is meant by profit maximization? What are its limitations as a financial goal?
14. What is wealth maximization? How is it superior to profit maximization?
15. Define financial Management. Explain the functions of financial management.
16. What is meant by risk-return trade-off? What are risk-free rate and risk-adjusted rate?
17. 'The profit maximization is not an operationally feasible criterion'. Do you agree? Illustrate your views.
18. What is meant by time preference or time value of money? What are the reasons for TVM?
19. If you deposited `55,650 in a bank, which was paying a 15 per cent rate of interest on a ten-year time deposit, how much would the deposit grow at the end of ten years? CVF of `1 as 4.046
20. What do you understand by net present value?
21. How do you compute future value of a lump sum amount and an annuity?
22. What is a perpetuity? What is its present value?
23. Give the meaning of doubling period.
24. What is meant by rule 69 and rule 72?
25. State the meaning of annuity and annuity due.
26. X Ltd., offers 12% interest on fixed deposits. What is the effective rate of interest if compounding is done (a) half yearly (b) quarterly and (c) monthly.
27. How is cost of equity capital determined under CAPM?
28. Y Ltd., issued 20,000 12% Debentures of Rs. 100 each at par the tax rate is 40% . calculate the cost of debt before and after tax.
29. Define book value and replacement value. What is the difference between them?
30. Define and compare going concern value and liquidation value.
31. What is market value? Is it different from the present value?

32. How are bonds and shares valued? What is the role of earnings per share (EPS) and price-earnings (P/E) ratios in the valuation of shares? EPS and P/E ratios are the most frequently used concepts by the financial community. Do they really have significance in the valuation of shares?
33. Define bond and explain its features.
34. What is a redeemable bond?
35. How is a bond with maturity valued?
36. What are pure discount bonds? How are they valued?
37. What is a perpetual bond? How is it valued?
38. Define yield-to-maturity, yield-to-call and current yield. How are they calculated?
39. Differentiate systematic and unsystematic risk.
40. What is diversification.
41. Explain the sources of cost of capital.
42. Five years ago, Chandi Limited issued 12% irredeemable debentures at ₹ 103, at ₹ 3 premium to their par value of ₹ 100. The current market price of these debentures is ₹ 95. If the company pays corporate tax at a rate of 35 per cent calculate its current cost of debenture capital?
43. Explain the components of capital budgeting analysis?
44. Write the meaning of risk adjusted discount rate?
45. measure the financial leverage, operating leverage and combined leverage
46. What is fixed working capital?
47. What is lockbox system?
48. Explain the concept of working capital.
49. What is meant by factoring.
50. What is outsourcing?
51. Refer the assignment and class work problems.