205-FINANCIAL MANAGEMENT

U N I T – I

I : **SHORT ANSWER TYPE QUESTIONS :-** (150 words)

Q. 1 : Define Financial Management.
Q. 2 : What is Wealth Maximization?
Q. 3 : Define Concept of Time Value of Money.
Q. 4 : Relationship between Risk and Return.
Q. 5 : Significance of Financial Management.

II : **LONG ANSWER TYPE QUESTIONS :-**

Q. 1 : Explain the Nature and Scope of Finance Function? What are the basic objectives of decision making in Corporate Finance?

Q. 2 : "Investment Financing and dividend decisions are all inter related"? Comment and explain changing scenario of Financial Management in India.

Q. 3 : "The Principal focus of Finance is on decisions and action which affect the value of a firm". Explain.

Q. 4 : "Diversification help in the reduction of unsystematic risk and promoter the optimization of return for a given level of risks in Portfolio Management". Discuss the effects of combining the securities.

Q. 5 : A Company is proposing to issue a 5 year debenture of Rs. 1000/- redeemable in equal installments at 14% rate of interest per annum if an investor has a minimum required rate of return of 12%. Calculate the debenture's present value or him. What should he be willing to pay now to purchase the debenture.

U N I T – II

I : **SHORT ANSWER TYPE QUESTIONS :-** (150 words)

Q. 1 : Define Operating Leverage.
Q. 2 : Define Capital Budgeting.
Q. 3 : Applications of Capital Budgeting.
Q. 4 : Define concept of risk and uncertainty.
Q. 5 : Distinguish between NPV and IRR Methods of capital Budgeting.

II : **LONG ANSWER TYPE QUESTIONS :-**

Q. 1 : The following Projections are given relating to two companies x and y.

	x	y
Output and sales (Units)	40,000	50,000
Variable cost per unit	4	3
Fixed cost	1,20,000	1,25,000
Inter cost burden on debt.	60,000	25,000
Selling price per unit	10	8

On the basis of above projection compute the following for both the companies:-

(A) Operating Leverage (B) Financial Leverage

Q. 2 : A firm has a sales of Rs. 20,00,000 variable cost of Rs. 14,00,000 and fixed cost of Rs. 4,00,000 and debt. Of Rs. 10,00,000 at 10% rate of interest. What are the Operating Financial and combined leverages? If the firm wants to double its earnings before interest cost tax (EBIT), how much of a rise in sales would be needed on a percentage basis?

Q. 3 : What is Capital Budgeting? Explain different Techniques of Capital Budgeting.

Q. 4 : What do you understand by Appraisal of project ? Define the techniques which will be used for appraisal of the project.

Q. 5 : A Company is considering a proposal to purchase a new equipment. The equipment would involve a cash outlay of Rs. 5 Lack and working capital of Rs. 60000/- the expected life of the project is 5 years without any salvage value. Assume that the company is allowed to change depreciation on straight line method for income tax purpose. The estimated before tax cash inflows (earnings before depreciation and tax) are given below:

Year	1	2	3	4	5
Before Tax Cash Inflows	180000	220000	190000	170000	140000

The applicable income tax rate to the company is 35%. The opportunity cost of capital of the company is 10%. You are required to calculate:

a- Payback period,
b- Net Present Value,
c- Discounted Payback,
d- Internal rate of return.

U N I T – III

I : **SHORT ANSWER TYPE QUESTIONS :-** (150 words)

Q. 1 : What is Cost of Capital?
Q. 2 : Weighted Average Cost of Capital.
Q. 3 : Sources of long term Management.
Q. 4 : Concept of Capital Structure.
Q. 5 : Concept of Retained Earning.

II : **LONG ANSWER TYPE QUESTIONS :-**

Q. 1 : "The cost of preference share capital is generally lower than the cost of equity capital". State the reason.
Q. 2 : What is meant by Cost of Capital? What is the Significance of Cost of Capital? How is the Cost of Equity Capital Determined?
Q. 3 : What do you understand by Optimum Capital Structure? Explain approaches of Capital Structure Decision.
Q. 4 : Ritika Industries Ltd. is planning to purchase a new machine, which will do the work being done by hands at present.

- Model complex and shirlese are the two available options. The following are the available information regarding the two models.

	Complex (Rs.)	Shirlese (Rs.)
Cost of Machine	6,00,000	10,00,000
Estimated life (In years)	10	10
Estimated saving in Scrap p.g.	40,000	60,000
Additional cost of supervision p.g.	48,000	64,000
Additional cost of maintenance p.g.	28,000	44,000
Cost of indirect material p.g.	24,000	32,000
Estimated saving in wages:-		
Wages per worker p.g.	2,400	2,400
No. of worker & not required	150	150

Suggest which model should be purchased.

Q. 5 : Explain concept of long term Finance. What are the sources of long term Finance, explain each?

U N I T – IV

I : **<u>SHORT ANSWER TYPE QUESTIONS</u> :-** (150 words)

Q. 1 : Define Venture Capital.

Q. 2 : Concept of Inventory Management.

Q. 3 : Term Dividend.

Q. 4 : Concept of Plough back of Profit.

Q. 5 : Inventory Management.

II : **<u>LONG ANSWER TYPE QUESTIONS</u> :-**

Q. 1 : What is Working Capital? Explain factors affecting Working Capital Requirement and Sources of Working Capital.

Q. 2 : What is Dividend Policy? Explain different types of Dividend and Factors affecting Dividend Policy.

Q. 3 : Explain any three :-

(A) Financial Planning and Forecasting,

(B) Green Finance,

(C) Financial Engineering.

Q. 4 : The earning per share of company are Rs. 8 and the rate of capitalization applicable to the company is 10%. The company has before it an option of adopting a payout ratio of 25% or 50% or 7.5%. Using walter's formula of dividend payout compute the market value of the company's share if the productivity of retained earning is :-

(A) 15%

(B) 10%

(C) 5%

Q. 5 : Distinguish between relevance and irrelevance theories of dividend decision.

Ms Rani Rajput