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Roll No ....

MAM - 403

Master of Applied Management (Dual Degree), IV Semester

Examination, June 2016

Financial Management

Time : Three Hours

Maximum Marks: 70

Note : Attempt five questions. All questions carry equal marks.

1. a) Explain the objectives of financial management.
   b) Distinguish between bonds and shares giving suitable examples.

OR

2. What is the need and importance of financial analysis? Discuss the different tools of financial analysis.

3. Describe the following with suitable examples.
   a) Theory of capital structure
   b) Financial forecasting

OR

4. What is dividend payout? Explain the application of residual dividend model with suitable example.

5. What is Capital Budgeting? Describe any three methods of Capital Budgeting with example.

OR

6. There are two exclusive capital expenditure proposals before a professionally managed company. The cost of capital for the proposal is 15%. The finance director considers that the NPV method should be relevant, whereas the managing director feels that IRR method is most appropriate for choosing from the alternatives. Following are the details of the two proposals.

Cash flows (Rs. Lakhs)

Year	Proposal A	Proposal B
0	–200	–200
1	35	216
2	80	10
3	90	10
4	70	4
5	20	4

You are required to calculate:
   a) NPV and IRR of each project
   b) Recommend with reasons which project you would suggest.

7. Describe and distinguish the following:
   a) Capital asset pricing model
   b) Dividend growth model

OR

8. Each of the following statements is misleading. Explain why?
   a) A long-term government bond is always absolutely safe.
   b) All investors should prefer stocks to bonds because stocks offer higher long-run rates of return.
   c) The best practical forecast of future rates of return on the stock market is a 5 or 10 years average of historical returns.

9. Discuss the concept of working capital and state the determinants for estimating working capital.

OR

10. What do you understand by mergers? Explain the different types of mergers and the various forms of financing a merger.

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