MMS/M-16
FINANCIAL MANAGEMENT
PAPER-CP-204

Time Allowed: 3 Hours Maximum Marks: 70

Note: Attempt any eight questions from part-A. And any three Questions from part-B.

Part-A

1. Critically examine the objectives of financial management.
2. Explain how finance function is organized.
3. Explain and illustrate the process of determining cash flows of a capital budgeting proposal.
4. Differentiate between Net income approach and Net operating income approach of capital structure.
5. Explain with example procedure of computation cost of capital of debt and equity.
6. A company is considering projects P and Q with the following information:

	PROJECTS	
	P	Q
Expected NPV	60000	227000
Standard Deviation	40000	135000

Which project you will recommend? Will your answer change if you use coefficient of variation as a measure of risk instead of standard deviation? Which is more important under this situation and why?

7. Explain with illustration Risk- adjusted discount rate method. What are advantages of the Risk-adjusted discount rate?
8. How do you calculate WACC? Explain which weigh among the book value and market value is better for calculating WACC.
9. How is working capital affected by (a) Sales, (b) technology, and (c) inflation? Explain.
10. Which method do you suggest for estimating working capital needs? Illustrate your answer.

Part-B

11. Explain and illustrate Economic Order Quantity technique of inventory management.
12. Describe with illustration cash forecasting techniques.

13. A ltd. Company has the following capital structure as on 31st December, 2015:

    Equity share capital

(50000 share of Rs. 20 each)	Rs. 10,00,000
12% preference share capital	Rs. 5,00,000
10% Debentures	Rs. 10,00,000
Total	Rs. 25,00,000

    The equity shares of the company are quoted are Rs. 100 and the company is expected to declare a dividend of Rs. 20per share for the next year. The company has shown a dividend growth rate of 10% which is expected to be maintained Assuming the tax rate applicable to the company to be 30%, calculate the weighted average cost of capital.
14. A company has a total investment of Rs. 500,000 in assets and 50,000 outstanding ordinary shares at Rs. 10per share (par value). It earns a rate of 15 percent on its investment and has a policy of retaining 50per cent of the earning. If the appropriate discount rate of the firm is 10 percent, determine the price of its share using Gordon's model. What shall happen to the price of the share if the comapny has a payout of 80% or 20%?
15. Explain the various method of appraisal of long- term projects based on discounted cash flow technique. Give illustrations.