13047

MMS/M- 13
FINANCIAL MANAGEMENT

Paper- CP- 204

Time allowed : 3 hours]   [*Maximum marks : 70*

*Note : Attempt any **eight** questions from **Part-A**, carrying 5 marks each and attempt any **three** questions from **part-B**, carrying 10 marks each.*

Part-A

1. **What is scope of finance function in a business organization?**

2. **Explain and illustrate Accounting Rate of Return (ARR) method of Evaluating long term investment proposals.**

3. **Why the stability in dividend policy is required ?**

4. **What are motives of holding cash ?**

5. **Explain the procedure of computing cost of debt capital.**

6. **Explain with example the ' decision tree' method of handling risk in projects.**

7. **Explain the factors considered in determining capital structure.**

8. **Explain meaning, need and merits of convertible debentures.**

9. **Describe EOQ with example.**

10. **Describe steps involved in the preparation of cash budget.**

Part-B

11. (a) **What is NPV and how is it calculated ?**

    (b)   **Calculate IRR of an investment proposal which involves a current out Lay of Rs. 3,00,000 and results in an annual cash flow of Rs. 60,000 for 7 Years.**

12. (a) **Explain how cost of euity is calculated ?**

(b) A preference share sold at Rs. 100 with a 9 percent dividend and a
   Redemption price of Rs. 110 if the company redeems it in five years.
   Assuming that a firm pays tax at a 50 percent rate, compute the after tax
   Cost of capital.

13. Compare Net income and Net operating income approaches of capital
   Structure. Give example to prove the two approaches.

14. What are the assumption which underline Gordon Model of dividend
   Effect ? Does dividend policy affect value under this model.

15. (a) Explain the mechanism of estimating working capital requirement
      With imaginary data.
   (b) Discuss the receivables management in brief.