

MMS/D08
Financial Management

Paper: CP-204

Time : 3 Hours

MM:70

Note :- Attempt five questions in all taking one question from each unit. All questions carry equal marks.

1. (a) Give the significance of time value of money.
 (b) What are the long term sources of finance?
 (c) What is the importance of internal financing in a business? (d) What is Economic Order Quantity? .
 (e) What are the functions of a finance manager?
 (f) What is the difference between capital structure and financial structure? .
 (g) What are the different risks in capital budgeting decisions?

2x7=14

- 2 "Maximization of profits is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing shareholder's wealth." Comment.
- | | Project X | Project Y |
|--------------------|------------|------------|
| Initial investment | Rs. 20,000 | Rs. 30,000 |
| Estimated Life | 5 years | 5 years |
| Scrap Value | Rs. 1,000 | Rs. 2,000 |

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- 3 From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%.

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rs.	Rs.	Rs.	Rs.	Rs.
Project X	5,000	10,000	10,000	3,000	2,000:

The profits before depreciation and after taxes (cash flows) are as follows

Project Y	20,000	10,000	5,000	3,000	2,000
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Present Value table-of Re.1 @ 10% (discount factors)

Year	1	2	3	4	5
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Present value(Rs.)	0.909	0.826	0.751	0.683	<i>Q.621</i>
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- 4 What is cost of capital? What is the relevance of cost of capital in capital budgeting and capital structure planning decisions? State how you would determine the weighted average cost of capital of a firm.
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- 5 Discuss the dividend decision in the light of various theories of dividend.
- 6 What do you understand by receivables management? Discuss the components of credit policy of a firm Which factors influence the size of receivables?
- 7 What is optimum capital structure of a firm ? Discuss the factors determining the capital structure offinn
- 8 Explain the illustrate the utility and preparation of cash budget as a toot of cash management