BA5203 FINANCIAL MANAGEMENT

IMPORTANT QUESTIONS AND QUESTION BANK

UNIT-I FOUNDATIONS OF FINANCE

2-Marks

1. Define financing decision?
2. Differentiate between systematic and unsystematic risk.
3. What do you mean by wealth maximization?
4. List out the various goals of financial management?
5. Definition- financial management?
6. What is financial analysis?
7. Financial management id concerned with three activities?
8. Objections of profit maximization?
9. What are the shareholder's wealth maximization?
10. Features of B-S model?
11. What is the option can be exercise?
12. What is time value adjustment?
13. What are dividend policies?
14. What is acquisition and mergers?
15. What is corporate taxation?

13-Marks

1. Explain the functions of financial management?
2. Explain the finance manager's role?
3. Detail about financial goal.
4. Explain the risk- return relationship?
5. Managers versus shareholder's goal.
6. Explain about financial goals and firm's mission and objectives?
7. Describe the factors determining option value?
8. Model for option value?
9. Black and Scholes model for option valuation?
10. Discuss in detail objective, function and scope of financial management.
11. Explain the various modern approaches of financial management?
12. The market price of Rs. 1,000 per value bond carrying a coupon rate of 14 percent and maturing after 5 years in Rs. 1050. What is the yield to maturity (YTM) on this bond? What is the approximate YTM?
13. You have decided to buy 500shares of an IT company with the intension of selling out at the end of five years. You estimate that the company will pay Rs. 3.50 per share as dividends for the first two years and Rs. 4.40 per share for the next three years. You further estimate that at the end of the five-year holding

period, the shares can be sold for Rs. 85. What would you be willing to pay today for these?

14. What is risk? Discuss the methods of calculating risk for single assets and of a portfolio?
15. State and explain the function of finance. Why is wealth maximization considered as the prime objective of financial management over profit maximization?

UNIT-II INVESTMENT DECISIONS

2-Marks

1. State the significance of capital budgeting?
2. What is meant weighted overage cost of capital?
3. Define capital budgeting?
4. Define cost of capital?
5. What are traditional techniques?
6. What is payback period?
7. What is net present value?
8. Assembling of investment proposals?
9. What is capital rationing?
10. What is replacement decisions?
11. What is explicit cost and implicit cost?
12. What is preparation of capital budget and appropriations?
13. Identification of potential investment opportunities?
14. What is profitability index?
15. Internal rate of return?

13-Marks

1. What are the methods of capital budgeting proposal?
2. Discuss the capital budgeting process?
3. Explain capital budgeting decisions/project classification?
4. Explain the factors leading to capital rationing?
5. What the features of capital budgeting decisions?
6. Explain the types of investment decisions/proposals?
7. Explain the cost capital?
8. Detail about Concepts of cost of capital?
9. What are the factors affecting the cost of capital of a firm?
10. Explain the capital rationing?

11. A company has to select one of the following two projects:

	Project A	Project B
Cost	Rs.22,000	Rs.20,000
Cash in flows		
Year 1	Rs.12,000	Rs.2,000
Year 2	Rs.4,000	Rs.2,000
Year 3	Rs.2,000	Rs.4,000
Year 4	Rs.10,000	Rs.20,000

Using the internal rate of return method suggest the profitable project?
12. Explain ARR, NPV and IRR in capital budgeting?
13. Explain the merits and demerits of time adjusted methods of evaluating the investment projects?
14. You are required to determine the weighted average cost of capital of Ananya ltd, using book value weights. The following information, is available for your perusal:
The present book value capital structure of the company is:
Debenture (Rs. 100 per debenture) Rs.7,00,000
Preference shares: (Rs.100 per share) Rs.3,00,000
Equity shares: (Rs.10 each) Rs.10,00,000
Anticipate external financing opportunities are:
1)Rs.100 per debenture redeemable at par after 8 years, 13% coupon rate 4% flotation costs, sale price rs.100.
2)Rs.100 preference shares redeemable at par 5 years maturity,14% dividend rate 5% floatation on costs;
3)Equality shares: Rs. 2 per share brokerage, sale price Rs. 22.
Dividend expected on the equity share at the end of the year is RS.2 per share, the anticipated growth rate in dividend is 6% and the company has the practice of paying its earing in the form of dividends. The corporate tax rate is 35%?
15. How would you explain about specific cost and overall cost of capital?

UNIT-III FINANCING AND DIVIDEND DECISION

2-Marks

1. How do you calculate operating leverage?
2. State any two forms of dividend?
3. What do mean by net operating income approach?
4. Explain dividend policy?
5. What is capital structure?
6. Capital structure definition?
7. Essential features of a sound capital mix?
8. What is Modigliani and miller?
9. What is growth stability of sales?
10. Nature and size of firm?

11. What is requirement if investors?
12. What is cash dividend?
13. What are expectations of shareholders?
14. What is stock split?
15. What is leverage?

13-Marks

1. Explain the theory of capital structure?
2. What are the factors influencing capital structure?
3. Define dividend? Explain various forms of dividend?
4. What are the factors determining for dividend policy?
5. Explain the master table for leverage calculations?
6. List out the various types of dividend policies?
7. How does an operating leverage (OL) differ from financial leverage (FL)?
8. What is an indifference point in the BBIT-EBT analysis? How would you compute it?
9. Distinguish between operating and financial leverage?
10. What are the essential of Gordon's model? Illustrate with an example state the criticism against Gordon's model?
11. Explain the different types of dividends and also its policy.
12. Discuss the procedure for determining the weighted average cost of capital. What are the factors affecting weighted average cost of capital?
13. 1)Can you recall the factors affecting the dividend policy?
    2)Chetan Ltd. Earns Rs. 50 per share.
14. What are the practical considerations in formulating the dividend policy?
15. Define the essentials of Walters Dividend model? Explain its shortcomings.

UNIT-IV WORKING CAPITAL MANAGEMENT

2-Marks

1. Define Treasury bills?
2. What do you mean by factoring?
3. Define the term working capital management?
4. What is credit policy?
5. What is gross working capital?
6. What is time consumed in manufacture?
7. What are seasonal fluctuations?
8. What is growth and expansion of business?
9. What is price level changes?
10. What are sources of working capital?

11. What is factoring?
12. What is inventory management?
13. What are organisation inventories?
14. Why do we need inventory?
15. Cost and benefits of factoring?

13- Marks

1. Explain the concepts of working capital?
2. Explain types of working capital?
3. What are the factors affecting working capital need of a firms?
4. Estimating working capital requirements?
5. Explain the sources of working capital?
6. Explain the nature of factoring?
7. Explain the types of factoring.
8. Explain in detail about components of inventories?
9. From the following information calculate.
   1)Re-order level.
   2)Maximum level.
   3)Minimum level
   4)Average level
   Normal usage: 100 units per week
   Maximum usage: 150 units per week
   Minimum usage: 50 units per week
   Re-order quantity (EOQ)500: units
   Long in time: 5 to 7 weeks.
10. Explain the various factors influencing the working capital?
11. What is the need to maintain optimum working capital? Discuss the consequences of inadequate or excess working capital?
12. Write short notes on the following:
    1)Credit policy variables
    2)Lock box system.
    3)Commercial paper.
13. 1)What are the methods of preparing short term cash forecast?
    2)what are the uses of long-term cash forecasting?
14. What are the criteria are followed to select marketable securities for investing cash surplus?
15. What are the short-term investments in India for investing short term cash?

UNIT-V LONG TERM SOURCES OF FINANCE

2-Marks

1. Who is lame duck?
2. What are the benefits of project financing?
3. State the meaning of venture capital financing?
4. What is private equity?
5. What is capital market and money market?
6. What are the capital markets?
7. What is management records of company?
8. What is effective market?
9. What is provide liquidity to the investors?
10. What is single investor lease?
11. What is leveraged lease?
12. What is venture capital financing?
13. What is second round of financing?
14. What is Expansion finance?
15. What is investment in the project?

13- Marks

1. Discuss the difference between primary market and secondary market?
2. Discuss the main function of stock exchange?
3. Differentiate shares and debentures?
4. Explain the types of leasing?
5. Explain the leveraged lease process?
6. What are the stages involved in venture capital financing?
7. What are the different types of venture capital companies?
8. Explain venture capital companies?
9. How is leasing different from hire purchase?
10. Explain in detail about new issue market?
11. Explain in detail legal aspects of leasing. What are the contents of lease agreement?
12. Discuss the trends in Indian capital market with specific reference to the secondary market?
13. Discuss in the detail the process of selecting investment by venture capitalists?
14. Write a detailed note on Indian stock market?
15. Discuss the various procedure involved in obtaining a term loan.