

FINANCIAL MANAGEMENT-1023/1123

SEMESTER- II

COMMON WITH DUAL DEGREE/I.B./ H.H.C.M

TIME: 3 HOURS

M.M. 50

Note:

1. The question paper consists of three Groups I, II and III
2. The question paper consists of nine questions.
3. Candidates are required to attempt five questions in all, selecting two questions from each Group I and II.
4. Each question in Group I and II carries 7.5 marks.
5. Q 9 of Group III is compulsory and carries 20 marks.

Group I

Q1

- a) What is financial system and market? What are the types of financial markets?
- b) What are the functions and objectives of financial management?
- c) What is meant by finance? What are the two main functions of finance? Describe its ultimate goal.

(2.5, 2.5, 2.5)

Q2

- a) What is financial regulatory framework? Who are the main regulators of finance sector? Describe the five types of financial intermediaries?
- b) What is the difference between money market and financial market? Why is financial market divided into money market and capital market?

(4, 3.5)

Q3

- a) How does the time value of money concept get applied to bond valuation? Why is the concept of the time value of money a very important financial concept both for organizations and for individuals?
- b) Define Present Value (PV). How do we calculate present value? Explain the statement "An amount of money today is worth more than that same amount in the future".

(4, 3.5)

Q4

- a) What four variables are required to calculate the value of a bond? How do you calculate bond return?
- b) What is capital investment decision? What are the objectives of capital investment decisions?
- c) What are capital investment appraisal techniques? Which method is used for investment appraisal?

(2.5, 2.5, 2.5) Cont-

Group II

Q5

- a) What is working capital? Explain the factors determining working capital? Describe the four main components of working capital.
- b) What is meant by working capital and working capital cycle? How do you manage the working capital cycle?

(4, 3.5)

Q6

What is working capital and working capital management? How do you manage cash flow and working capital? Explain the main components of working capital.

(7.5)

Q7

- a) Explain the meanings of receivables inventory and payables. Illustrate with the help of examples.
- b) Explain MM approach of capital structure. What are assumptions of MM theory of capital structure? Describe the relationship between capital structure and firm value.

(3.5, 4)

Q8

- a) What is operating leverage in simple words? Explain operating leverage ratio. How do you calculate operating leverage ratio? What is good operating leverage?
- b) Explain leverage capital and leverage cost. What is levered cost of capital? How does leverage affect cost of capital?

(4, 3.5)

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Contd. 3

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Group III

Q9

- a) What is risk and risk analysis? What are the methods of risk analysis? What is risk analysis in financial management?
- b) What is discounted and non discounted cash flow? Why are discounted cash flow methods of making capital budgeting decisions superior to other methods?
- c) What is corporate restructuring and its types? Describe the need for corporate restructuring. What are the various implications of corporate restructuring?
- d) What is dividend and dividend policy? How does dividend policy affect the growth of a firm? Describe the factors affecting dividend policy.

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(5X4)