Unit.1:

1. "…….Finance has changed…….from a field that was concerned primarily with the procurement of funds to one that includes the management of assets.the allocation of capital and valuation of the firm." Give your views on the above statement
2. In what respect is the objective of wealth maximisation superior to the profit maximisation objective ?
3. The wealth maximisation objective provides an operationally appropriate decision criterion.' Give your views on the statement.
4. Explain the concept of wealth in the context of wealth maximisation objective.
5. Assuming wealth maximisation to be the objective of the financial management, show how the financing, investment and dividend decisions of a company can help to attain this objective.
6. In which directions the field of finance evolved in recent year? Also state the objectives and scope of financial management.
7. Explain the importance of financial forecasting. Name some of the statements which are prepared in financial forecasting.
8. (a) How would you view financial management as a science or art ?

   (b)why is it inappropriate to seek profit maximisation as the goal of financial decision making?

9. How would you justify the adoption of present value maximisation as an apt substitute for it ?
10. Explain "wealth maximisation "and "value maximisation "objective of financial management.
11. (a) Discuss some of the problems that financial managers in a developing country like India have to grapple with.

    (b) "The operative objective of financial management is to maximise wealth of the firm". Discuss.

12. What are the major types of financial decisions that a business firm makes? How do they involve risk-return trade off.
13. Define leverage .Explain its types. Discuss its significance.

14. “Operating leverage is determined by firm’s cost structure and financial leverage by the mix of debt-equity funds used to finance the firm’s fixed assets. These two leverage combined provide a risk profile of the firm. Explain.
15. (a) “Operating leverages is determined by firm’s cost structure and therefore, by nature of business. Financial leverage, on the hand , is determined by the mix of debt-equity funds used to finance the firm’s assets. “Operating and Financial leverages combined provide a risky profile of the firm. The variability of returns to the equity shareholders arise from the business and financial risk . Explain .

    (b) Which combination of operating and financial leverages constitutes (i) risky situation and (ii) ideal situation.
16. What is meant by a concept “Financial Risk” ?. explain the relationship between leverage and cost of capital.
17. Explain the concept of Operating leverage and financial leverage.
18. Explain the types of leverages. State their significance .
19. Does financial leverage always increase the earning per share ? Illustrate your answer.
20. Do you agree that the role of financial management has been changed? Discuss the aims and objectives of financial management in reference to present business environment.
21. What is financial risk? How does it differ from business risk? How does the use of financial leverage result in analysing financial risk.

UNIT-2:

1. What do you understand by capital structure of a corporation. Discuss the qualities which a sound capital structure should possess.
2. Critically examine the Net Income and Net Operating Income approaches to capital .structure . What is traditional view on this question?
3. ‘An optimal combination of the decisions relating to investment, financing and dividends will maximise the value of the firm to its shareholders. Examine.

4. What do you understand by a Balanced Capital Structure ? Why should a company aim at a Balanced Capital Structure ?.
5. What do you understand by Simple Capital Structure and Complex Capital Structure? Explain the Net Operating Income Theory of Capital Structure planning.
6. Explain the factors that determine the Capital Structure of a firm.
7. (a) Explain "Arbitrage Process " under Modigliani/ Miller theorem.
   (b) Explain EBIT-EPS approach for determining capital structure of a company.

8 There is nothing like an optional capital structure for a firm. Critically evaluate this statement.

9 What do you mean by an appropriate capital structure ? What should generally be the features of an appropriate capital structure ?

10 What do you mean by optimum capital structure ? Make a list of factors determining optimum capital structure

11 What is the objective of the capital structure management ? How might a firm for determining its optimal capital structure ?

12 Contrast the David Durand Net Operating Income Approach with the Modigliani-Miller approach to the theory of the capital structure .

UNIT-3 :

1. What are the different sources of a long-term financing ? State briefly the merits of each sources of a long-term financing.
2. Examine the statement that "long-term funds are required only for fixed assets ".
3. Explain at list five new financial instruments which have been recently introduced in the capital market.
4. Discuss the important covenants incorporated in a long-term loan agreement by long-term lending financial institutions in India. What is their relevance for the financial institutions providing such finance ?
5. What are the main sources of finance available to industries under three broad classifications: (i) Long-term Sources (ii)Short-term sources; and (iii) Internal sources.

6. What is cost of capital ?. What is meant by “explicit cost “ and real cost o capital ?
7. Define the concept of “ cost of capital “. State how you would determine the weighted average cost of capital of a firm.
8. Explain the cost of “ Cost of Capital “ as a device for establishing a cut-off point of capital investment proposals.
9. What is meant by cost of capital for a firm and what relevance does it have in decision-making ? How is it calculated with different type of sources of capital funds ? Why it the cost of capital most appropriately measured on after-tax basis ?.

10 What is Modigliani-Miller approach to the problem of capital structure. Under what assumptions do their conclusions hold good ?.

11 What is meant by cost of capital ? What are the components of cost of capital ? What is cost of Retained Earnings ? How is the cost of new equity issue determined ?.

12 What do you understand by cost of capital ? How it is ascertained ?.

13 Explain the concept of “ cost of capital “. Also explain different types of costs.

14 What is Modigliani-Miller approach to the problem of capital structure. Under what assumptions do their conclusions hold good ?.

15 Discuss briefly the different approaches to the computation of the cost of the equity capital.

16 How can you determine the cost of equity capital in a growth company.

17 Write short notes on :

(a) Modigliani-Miller approach .

(b) Marginal cost of capital

(c) cost of capital

18 State the limitation of M.M. Approach of capital structure.

19 Discuss the underlying logic of the cost of capital .

20 What is meant by cost of capital ? What are the components of cost of capital ? What is cost of Retained Earnings? How is the cost of new equity issue determined?

UNIT: 4:

1. What is the Capital Expenditure Budget? Why is it necessary? What are its essential features?

2. What are the basic components of Capital budgeting analysis? Explain the difference between IRR and NPV methods.

3. Explain the silent features of the "Present Value Method" of project evaluation and examine its rationality.

4. The principal yardsticks for measuring the financial characteristics of investment proposals are the following:

   a. Pay-back period

   b. Rate of Return on Capital employed

   c. Discounted Cash Flow Method.

5. Compare and contrast Internal Rate of Return and Net Present Value techniques. Which method will you recommend for evaluating investment? Explain.

6. Discuss the methods used for evaluating and ranking of investment proposals. Compare the IRR method with the NPV method.

7. Explain the important steps in the capital budgeting process.

8. What is capital budgeting? Why is it significant for a firm?

9. Difference between IRR method & NPV Method in capital budgeting.

10. What is the underlying cause of conflicts between the NPV and IRR Methods? If a conflict exists, should the capital budgeting decision be made on the basis of the NPV or the IRR ranking? Why?

11. Under what conditions would the internal rate of return be a reciprocal of the payback period?

12. Why is NPV a better technique than payback method?

13. Amravati Ltd. is planning to set up a new plant in Amravati SEZ with an initial investment of Rs.45 lakh. The project has a life of five years and the cash flows associated with the project are as follows.

Year	**1**	**2**	**3**	**4**	**5**
Cash inflows (Rs. In lakh)	11.00	13.50	15.50	13.00	16.50

If the cost of capital relevant for the project is 14 percent what is the NPV of this project?

14. A company is considering the following investment projects.

Projects	Cash Flows (Rs.)			
	C 1	C 2	C 3	C 4
X	-10000	+7500	+7500	----
Y	-10000	+2000	+4000	+12000
Z	-10000	+10000	+3000	+3000

If the project are mutually exclusive, which project is the best?

UNIT: 5

1. What is the working capital management ? Bring out role of various constituents of working capital .
2. What is meant by working capital management ? What are the determinants of working capital needs of an enterprise ?
3. Explain the concept of Hard Core Working Capital. How should it be determined and financed ?
4. "Efficient Inventory management is reflected in the liquidity and profitability of the firm ". Explain.
5. What do you understand by management of Working Capital and what are the constraints in the management of Working Capital .
6. (a) Define Working Capital . Distinguish between permanent and temporary Working Capital . (b) Explain how working capital management policies affect the profitability, liquidity and structural health .

7. What are the objective of a credit policy ? What is an optimum credit policy ? Discuss.
8. Explain the importance of working capital in attaining the profit objective of an organisation. Explain how working capital needs are assessed.
9. What is meant by working capital ? What are the techniques used for analysis working capital of the company ? Explain by giving suitable examples.
10. Explain various determinants of working capital of a concern.
11. How are the objectives of inventory management and cash management similar ?.
12. The major objective of inventory management is " to minimise cash outlays for inventories". Explain how this is sought to be achieved.
13. Explain the importance of proper planning and control of working capital in a large manufacturing concern and the techniques that are used for planning and control of working capital .
14. In Walter's approach, the dividend policy of a firm depends on availability of investment opportunity and the relationship between the firm's internal rate of return and its cost of capital. Discuss what are the shortcomings of this view.
15. What do you think are the determinants of the dividend policy of corporate enterprises ?.
16. What factors determine the dividend policy of a company ?. Do you believe it will be justifiable for a company to obtain a short-term loan from a bank to allow payment of a dividend ?
17. What are the Bonus Shares ? How do they benefit the shareholders ?
18. Write a short note on , stable dividend policy,.
19. Explain fully Walter's formulation on dividend policy. How far does it explain the dividend practices of companies ?
20. What do you understand by dividend policy ? What are the main determinants of dividend policy in a corporate enterprise.
21. Write short notes on :

    (a) Walter's Approach to dividend policy .

    (b) Cost of right shares.

(C) Stable dividend policy .

(d) Provisions regarding unpaid dividends in the companies Act. 1956.

22. . What is the Modigliani-Miller approach of irrelevance concept of dividends ? Under what assumptions do the conclusions hold good ?

23. Discuss Walter Model and Gordon Model of share valuation visa-vis dividend policy .

24. What is Stable dividend policy ? Why should it be followed ? What can be the consequences of changing a Stable dividend policy ?

25. The balance sheet of Deepak Ltd. Stood as follows as on March 31 of the current year.

Liabilities	**Amount Rs.**	**Asset**	**Amount Rs.**
Current Liabilities	2000	Current Assets	8000
Long term funds	22000	Fixed Assets	16000
	24000		**24000**

If current assets cash 2 percent, fixed assets cash 14 percent, current liabilities cost 4 percent and long term funds cost 10 percent. Calculates total profits on assets and what do you understand from the calculated value.

26. The following details are available in respect of a firm Annual requirement of inventory 40000 units. Cost per unit (other that carrying Rs.16 and ordering cost) carrying cost are likely be 15 percent per year cost of placing order Rs.480 per order. Determine the economic order quantity.