B.COM – BANKING AND INSURANCE

17 UBI 623 -FINANCIAL MANAGEMENT

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K1 – LEVEL

UNIT – I

SECTION – A

MULTIPLE CHOICE QUESTIONS

1. Financial Management is mainly concerned with
   a) Arrangement of funds
   b) All aspects of acquiring and utilizing financial resources for firm's activities
   c) Efficient management of every business
   d) None of these.
2. In his traditional role the finance manager is responsible for
   a) Arrangement and efficient utilization of funds
   b) Arrangement of financial resources
   c) Acquiring capital assets for the organization
   d) None of these.
3. Financial accounting is designed
   a) To record the financial history of the firm
   b) To help predicting future
   c) To solve managerial problems
   d) None of these.
4. The primary goal of the financial management is
   a) To maximize the return
   b) To minimize the risk
   c) To maximize the wealth of owners
   d) None of these.
5. Capital budgeting is related to
   a) Long –term assets
   b) Medium term assets
   c) Short term assets
   d) None of these.
6. Working capital management is managing
   a) Long- term assets and liabilities
   b) Short-term assets and liabilities
   c) Only short-term assets
   d) None of these.
7. The decision to issue various securities in different proportions is called
   a) The capital structure decision
   b) Portfolio analysis decision
   c) Investment statement policy

d) None of these.

8. _____ is quantitative aspect of the financial planning of an enterprise, if denotes total amount of securities issued by a company.
   a) Capitalisation
   b) Capital structure
   c) Financial structure
   d) None of these.
9. _____ means the entire liabilities side of the balance sheet (long term and short term) (debt and equity)
   a) Financial structure
   b) Capital structure
   c) Capital budgeting
   d) None of these
10. A fixed rate of dividend is payable on _____
   a) Debt
   b) Preference shares
   c) Equity shares
   d) Retained earnings.

UNIT- II

MULTIPLE CHOICE QUESTIONS

1. The decision to issue various securities in different proportions is called
   a) The capital structure decision
   b) Portfolio analysis decision
   c) Investment statement policy
   d) None of these.
2. The company's cost of capital is called
   a) Leverage rate
   b) Hurdle rate
   c) Risk rate
   d) None of these.
3. Market value of the cost of capital is decided by
   a) The respective companies
   b) The investment market
   c) The government
   d) None of these.
4. Cost of retained earnings is equal to
   a) Cost of equity
   b) Cost of debt
   c) Cost of term-loans
   d) None of these.
5. The expansion of CAPM is
   a) Capital Amount Pricing Model

b) Capital Asset Pricing Model
c) Capital Asset Printing Model
d) None of these.

6. The company's' average cost of capital is
   a) The average cost of equity, shares and debentures
   b) The average cost of equity, preference shares and debentures
   c) The average cost of all sources of long-term funds
   d) None of these.
7. The cost of capital of a long-term debt is generally
   a) Lower than the owned funds
   b) Equal to that of owned funds
   c) Higher than that of owned funds
   d) None of these.
8. Interest on debt-capital provides a _______ to the equity holders
   a) Added profit
   b) Tax shield
   c) Additional financial burden
   d) None of these.
9. The overall cost of capital is used as the minimum acceptable return on
   a) All investment to be made by the company with similar risk
   b) All projects to be carried out in the future
   c) Any assets to be bought by the company
   d) None of these.
10. The required rate of return for an investment project should
    a) Leave the market price of the stock unchanged
    b) Increase the market price
    c) Reduce the market price
    d) None of these.

UNIT- III

MULTIPLE CHOICE QUESTIONS

1. _____ approach prove that the cost of capital is not affected by changes in the capital structure.
   a) Net operating income
   b) Net income
   c) Both a & b
   d) None of these.
2. In_____ approach the debt-equity mix is irrelevant in determination of cost of capital and the value of a firm.
   a) Net operating income
   b) Net income

c) Both a & b

d) None of these

3. _____ approach is based upon certain unrealistic assumptions such a perfect market, or the expected earnings of all the firms have identical risk etc.,

   a) M and M approach

   b) Net income approach

   c) Net operating income approach

   d) Traditional approach.

4. In _____ approach a firm can minimize the weighted average cost of capital and increase the value of a firm and market price of equity share by using debt to the maximum.

   a) Net income approach

   b) Net operating income approach

   c) Traditional approach

   d) M and M approach.

5. Net operating income theory is suggested by

   a) Durand

   b) Solomon

   c) Ezra

   d) Modigliani and Millar

6. In _____ approach, the change in the capital structure of company does not affect the market value of the firm

   a) Net income approach

   b) Net operating income approach

   c) Both a and b

   d) None of these

7. In _____ approach the value of the firm and overall cost of capital remains constant irrespective of method of financing. (Debt-equity)

   a) Net income approach

   b) Net operating income approach

   c) Both a and b

   d) None of these

8. In which approach there is nothing as an optimal capital structure and every capital structure is the optimum capital structure

   a) Net operating income approach

   b) Net income approach

   c) Traditional approach

   d) None of these.

9. _____ approach is a compromise between the two extremes of net income approach and net operating income approach.

   a) Traditional approach

   b) M and M approach

   c) Net income approach

   d) None of these

10. In _____ theory, the value of the firm can be increased initially or the cost of capital can be decreased by using more debt is a cheaper source of funds than equity
    a) Traditional approach
    b) Net income approach
    c) Net operating income approach
    d) None of these

UNIT- IV

MULTIPLE CHOICE QUESTIONS

1. _____ refers to that part of profits of a company which is distributed by the company among its shareholders
   a) Dividend
   b) Interest
   c) Tax
   d) None of these
2. In which theory dividend decision does not affect the share holders wealth and valuation of the firm
   a) Theory of irrelevance
   b) Theory of relevance
   c) Both a and b
   d) None of these
3. In which theory dividend decision materially affects the shareholders wealth and also the valuation of the firm
   a) Theory of irrelevance
   b) Theory of relevance
   c) Both a and b
   d) None of these
4. The residual approach and MM approach come under
   a) Theory of irrelevance
   b) Theory of relevance
   c) Both a and b
   d) None of these
5. The Walter's approach and Gordon's approach come under
   a) Theory of irrelevance
   b) Theory of relevance
   c) Both a and b
   d) None of these
6. Myron Gordon, Jone Linter, James Walter and Richardson supports
   a) Theory of irrelevance
   b) Theory of relevance
   c) Both a and b
   d) None of these

7. Walter model is based on the relationship between the firms return on investment (r) and _____
   a) Cost of capital or required rate of return (k)
   b) Capital budgeting
   c) Capital structure
   d) None of these
8. If the firms earns a higher rate of return on its investments than the required rate of return (r>k) it is called
   a) Normal firm
   b) Growth firm
   c) Decline firm
   d) None of these
9. If the firm is r>k means the earnings must be
   a) Retain
   b) Distribute
   c) Both a & b
   d) None of these
10. Pay-out ratio denotes that
    a) Payment of dividend to shareholders
    b) Retain the dividend
    c) Both a and b
    d) None of these

UNIT- V

MULTIPLE CHOICE QUESTIONS

1. Difference between inflow and outflow of funds is known as ___________
   a) Working capital b) Fixed assets c) Current assets d) Profit
2. ________ refers to the amount of funds invested in various components of current assets. It consists of raw materials, work in progress, debtors, finished goods, etc.
   a) Gross working capital b) Net working capital c) Fixed capital d) None of these
3. The difference between current assets and current liabilities of the business concern is termed as ____________
   a) Gross working capital**b) Net working capital** c) Fixed capital d) None of these
4. The surplus of current assets over current liabilities is known as ______
   a) Positive working capital b) Negative working capital c) Fixed working capital d) None of these
5. The minimum amount of working capital which even required during the dullest season of year is known as ___________

a) Permanent working capital b) Variable working capital c) Net working capital

d) Gross working capital

6. The amount owned to a company resulting from the company providing goods and services on credit is known as __________
a) Accounts receivable b) Cash receivable c) Inventory receivable d) None of these
7. __________ motive refers to the need to hold cash to satisfy normal disbursement collection activities associated with firm's ongoing operation.

   a) Transaction motive b) Precautionary motive c) Speculative motive

   d) None of these

8. Accounts receivables are also known as __________
a) Customer receivables b) owner receivables c) Margin of safety d) None of these
9. Decision relating to working capital and short term financing are referred to as ____________

   a) Working capital management

   b) Assets management

   c) Receivables management

   d) None of these.

10. Identify the cash balance which allows for the business to meet day to day expenses, but reduces cash holding costs is known as _______

    a) Cash management b) Inventory management c) Debtors management

    d) Short-term financing

UNIT – I

SHORT ANSWERS – K2 LEVEL

1. **Define financial management.**
   According to J.L. Massie, "Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations."
2. **What is financial management?**
   Finance may be defined as the provision of money at the time when it is required. Finance refers to the management of flows of money through an organization. Financial management is concerned with procurement and use of funds. Financial management refers to that part of the management activity which is concerned with the planning and controlling of firm's financial resources.
3. **Write the traditional classification of finance.**
   The subject to finance has been traditionally classified into two classes:
   1. Public finance and 2. Private Finance
4. **What is mean by personal finance?**
   Personal finance deals with the analysis of principles and practices involved in managing one's own daily need of funds.
5. **What is mean by business finance?**
   The study of principles, practices, procedures and problems concerning financial management of profit making organization engaged in the field of industry, trade and commerce is undertaken under the discipline of business finance.
   Business finance as an activity or a process which is concerned with acquisition of funds, use of funds and distribution of profits by a business firm. Thus, business finance usually deals with financial planning, acquisition of funds, use and allocation of funds and financial controls.
6. **Name the classification of business finance.**
   Business finance can further be sub-classified into three categories, viz.,
   1. Sole – propriety finance,
   2. Partnership firm finance and
   3. Corporation or company finance.
7. **List out the functional areas of financial management.**
   a. Determining financial needs
   b. Selecting the sources of funds
   c. Financial analysis and interpretation
   d. Cost-volume-profit analysis
   e. Capital budgeting
   f. Working capital management
   g. Profit planning and control
   h. Dividend policy
8. **What is mean by financial decisions?**

Financial decisions refer to decisions concerning financial matters of a business firm. there are many kinds of financial management decisions that the firm makes in pursuit of maximizing shareholder's wealth viiz.,. we can classify these decisions into three major groups:

1. Investment decisions.
2. Financing decisions.
3. Dividend decisions.

9. Name the two approaches of finance function.

A number of approaches are associated with finance function but for the sake of convenience, various approaches are divided into two broad categories.

The traditional approach

The modern approach

10. List out the major objectives of financial management.

The main objective of a business is to maximize the owner's economic welfare. This objective can be achieved by: 1. Profit maximization 2. Wealth maximization.

UNIT- II

SHORT ANSWERS

1. Define capital budgeting.

Charles T. Horngreen has defined Capital budgeting as, "Capital budgeting is long term planning for making and financing proposed capital outlays."

2. Write the classification of capital budgeting?

In view of the investment proposals under consideration, capital budgeting decisions may also be classified as

Accept Reject Decisions

Mutually Exclusive Project Decisions

Capital Rationing Decisions

3. Name the various methods of capital budgeting decisions.

Traditional methods

Pay -back period Method or Pay out or Pay off Method

Improvement of Traditional approach to Pay Back Period Method

Rate of Return Method or Accounting Method

Time-adjusted method or discounted methods

Net present Value method

Internal Rate of Return method

Profitability Index method

4. What do you mean by pay-back period method?

The 'pay back' sometimes called as pay out or pay off period method represents the period in which the total investment in permanent assets pays back itself. This method is based on the principle that every capital expenditure pays itself back within a certain period out of the additional earnings generated from the capital assets.

5. What is mean by internal rate of return method?

The internal rate of return method is also a modern technique of capital budgeting that takes into account the time value of money. It is also known as 'time adjusted rate of return' 'discounted cash flow' 'discounted rate of return' 'yield method' and 'trial and error yield method'. In the net present value method the net present value is determined by discounting the future cash flows of a project at a predetermined or specified rate called the cut-off rate.

6. **What is cost of capital?**
   The cost of capital of a firm is the minimum rate of return expected by its investors. It is the weighted average cost of various sources of finance used by a firm. The cost of capital of a firm or the minimum rate of return expected by its investors has a direct relation with the risk involved in the firm.
7. **List of the main significance of cost of capital.**
   As an acceptance criterion in capital budgeting
   As a determinant of capital mix in capital structure decisions
   As a basis for evaluating the financial performance
   As a basis for taking other financial decisions.
8. **What is mean by explicit cost and implicit cost?**
   An explicit cost is the discount rate which equates the present value of cash inflows with the present value of cash outflows. In other words, it is the internal rate of return.
   Implicit cost also known as the opportunity cost is the cost of the opportunity foregone in order to take up a particular project. For example, the implicit cost of retained earnings is the rate of return available to shareholders by investing the funds elsewhere.
9. **What is mean by cost of equity capital?**
   The cost of equity is the 'maximum rate of return that the company must earn on equityfinanced portion of its investments in order to leave unchanged the market price of its stock. The cost of equity share capital can be computed in the following ways
   Dividend yield method or dividend/price ratio method
   Dividend yield plus growth in dividend method
   Earning yield method/earning price ratio
   Realized yield method
10. **What is mean by cost of retained earnings?**
    The cost of retained earnings may be considered as the rate of return which the existing shareholders can obtain by investing the after-tax dividends in alternative opportunity of equal qualities. It is the opportunity cost of dividends foregone by the shareholders.

UNIT- III

SHORT ANSWERS

1. **Define Capital structure.**

According to Gerestenberg, “Capital structure of a company refers to the composition or make-up of its capitalization and it includes all long – term capital resources viz: loans, reserves, shares and bonds”.

2. **Write the difference between financial structure and capital structure.**
   Financial structure means the entire liabilities side of the balance sheet. In the words of Nemmers and Grunewald “Financial structure refers to all the financial resources marshaled by the firm, short as well as long-term, and all forms of debt as well as equity. “Thus, financial structure is composed of a specified percentage of short-term debt, long – term debt shareholder’s funds.
   The capital structure is made up of debt and equity securities and refers to permanent financing of a firm. It refers to the relationship between the various long –term forms of financing such as debenture, preference share capital and equity share capital.
3. **Name the main theories in capital structure.**
   Different kinds of theories have been propounded to explain the relationship between capital structure, cost of capital and value of the firm. the main contributors to the theories are Durand, Ezra, Solomon, Modigliani and Millar. The important theories are
   1. Net Income Approach
   2. Net Operating Income Approach
   3.The traditional Approach
   4. Modigliani and Miller Approach.
4. **Name the two major types of corporate securities.**
   Corporate securities can be classified under two categories
   1. Ownership securities or capital stock
   2. Creditor ship securities or Debt capital
5. **List out the forms or patterns of capital structure.**
   The capital structure of a new company may consist of any of the following forms:
   Equity shares only
   Equity and preferences shares
   Equity shares and debentures
   Equity shares, preferences shares and debentures.
6. **What is mean by optimal capital structure?**
   The optimal capital structure maximizes the value of a firm and hence the wealth of its owners and minimizes the firm’s cost of capital. The optimum capital structure may be defined as “that capital structure or combination of debt and equity that leads to the maximum value of the firm”.
7. **Name the main theories in capital structure.**
   Different kinds of theories have been propounded to explain the relationship between capital structure, cost of capital and value of the firm. the main contributors to the theories are Durand, Ezra, Solomon, Modigliani and Millar. The important theories are
   1. Net Income Approach
   2. Net Operating Income Approach
   3.The traditional Approach

4. Modigliani and Miller Approach.

8. **What is mean by financial leverage?**
   The use of long – term fixed interest bearing debt and preference share capital along with equity share capital is called financial leverage or trading on equity.
9. **What is mean by favourable and unfavourable leverage/**
   A firm is known to have a favourable leverage if its earnings are more than what debt would cost. On the contrary, if it does not earn as much as the debt costs then it will be known as a unfavourable leverage.
10. **What is mean by operating leverage?**
   The operating leverage occurs when a firm has fixed costs which must be recovered irrespective of sales volume. The fixed costs remaining same, the percentage change in operating revenue will be more than the percentage change is sales.

UNIT- IV

SHORT ANSWERS

1. **What is mean by dividend?**
   The term dividend refers to that part of profits of a company which is distributed by the company among its shareholders. It is the reward of the shareholders for investments made by them in the shares of the company.
2. **Name the two concepts in dividend theory.**
   The irrelevance concept of dividend or the theory of irrelevance and
   The relevance concept of dividend or the theory of relevance.
3. **What is mean by irrelevance and relevance concept of dividend?**
   According to this theory, dividend decision has no effect on the wealth of the shareholders or the prices of the shares, and hence it is irrelevant so far as the valuation of the firm is concerned.
   According to this concept the dividend decision considerably affect the value of the firm. dividend communicate information to the investors about the firms' profitability and hence dividend decision becomes relevant.
4. **What is mean by dividend policy?**
   The relationship between the internal rate of return earned by the firm and its cost of capital is very significant in determining the dividend policy to subserve the ultimate goal of maximizing the wealth of the share holders.
5. **Name the classification of firms in dividend decisions?**
   Based on the relationship between the internal rate of return(r) earned by the firm and its cost of capital(k) the firms can be classified into three major categories.
   Growth firm (r>k): if the rate of return of the investment is greater than the cost of capital means the firm is called as growth firm. Here the dp ratio is zero, retention ratio is 100%. The firm has more profitable opportunities in the company itself because of its growth.

Normal firm(r=k): if the rate of return of the investment is equal to the cost of capital the firm is called as normal firm. whether the firm pay dividend or not it will not affect the share value of the firm.

Declining firm(r<k): if the rate of return of the investment is less than the cost of capital the firm is called declining firm. here the dp ratio is 100 %. The firm has no opportunity to improve the share holders wealth so it is advised to distribute all its earnings as dividend.

6. List out the various types of dividend policy.

Regular dividend policy
Stable dividend policy
Irregular dividend policy
No dividend policy

7. What is mean by stable dividend policy?

The term' stability of dividend' means consistency or lack of cariability in the stream of dividend payments. It means payment of certain minimum amount of dividend regularly. A stable dividend policy may be established in any of the following three forms:

Constant dividend per share
Constant payout ratio
Stable rupee dividend plus extra dividend

8. List out the reasons for irregular dividend policy.

Some companies follow irregular dividend payments on account of the following
Uncertainty of earnings
Unsuccessful business operations
Lack of liquid resources
Fear of adverse effects of regular dividends on the financial standing of the company

9. Name the various forms of dividend followed by a firm.

Profit dividend
Liquidation dividend
Interim dividend
Final dividend
Cash dividend
Scrip or bond dividend
Property dividend
Stock dividend

10. List out the assumptions of Walter model.

a. With additional investments undertaken, the firm's business risk does not change. It implies that r and k are constant.
b. Financing is done through retained earnings. External sources of funds like debt or new equity capital are not used.
c. The firm has perpetual life
d. There is no change in the key variables.

UNIT- V

SHORT ANSWERS

1. **What is mean by working capital?**
   "Working capital is the difference between inflow and outflow of funds. In other words, it is the net cash inflow. It can be defined as the excess of current assets over current liabilities and provisions. In other words it is the net current assets or net working capital".
2. **What is mean by net and gross working capital?**
   Net working capital concept is the difference between current assets and current liabilities. This concept is useful to groups interested in determining the amount and nature of assets that may be used to pay current liabilities.
   Gross working capital refers to the amount of funds invested in current assets that are employed in the business process.
3. **Write the classification of working capital?**
   Working capital may be classified in two ways :
   I. On the basis of concept
      a. Gross working capital
      b. Net working capital
   II. On the basis of time
      a. Permanent or fixed working capital requirements.
      b. Temporary or variable working capital requirements.
4. **What is mean by fixed or permanent working capital?**
   Permanent or fixed working capital is the minimum amount which is required to ensure effective utilization of fixed facilities and for maintaining the circulation of current assets. This is always a minimum level of current assets which is continuously required by the enterprise to carry out its normal business operations.
5. **What is mean by temporary or variable working capital?**
   Temporary or variable working capital is the amount of working capital which is required to meet the seasonal demands and some special exigencies. Variable working capital can be further classified as seasonal working capital and special working capital.
6. **List out the sources of permanent working capital?**
   Sources of permanent working capital are
   Shares
   Debentures
   Public deposits
   Loan from financial institutions
   Ploughing back the profits
7. **List out the sources of temporary working capital?**

Working capital required for limited period of time may be secured from the following temporary sources:

a. Trade creditors
b. Depreciation as a source of finance
c. Commercial bankers
d. Indigenous bankers
e. Tax liabilities
f. Account – receivable credit

8. What is mean by management of cash?

Cash management has assumed importance because it is the most significant of all the current assets. It is required to meet obligations and it is unproductive when not used.

Cash management deals with the following

Cash inflows and outflows

Cash flows within the firm

Cash balances held by the firm at a point of time

9. Name the various motives of holding cash.

There are three motives for holding cash

The transactions motive

The precautionary motive

The speculative motive

10. What is mean by receivables?

Receivables represent amounts owed to the firm as a result of sale of goods or services in the ordinary course of business. There are claims of the firm against its customers and form part of its current assets. Receivables are also known as accounts receivables, trade receivables, customer receivables or book debts.

K3 LEVEL

UNIT – I

SECTION –B (K3 LEVEL)

1. Discuss the main characteristics of financial management.
2. Write the comprehensive note on importance of financial management?
3. Write a note on traditional vs modern concept of finance function.
4. Discuss the functions of finance manager.
5. Describe the functional areas of financial management?
6. "Investment, financing and dividend decisions are all inter-related". Comment.
7. Explain the factors influencing financial decisions.
8. Explain the drawbacks included in the profit maximization concept of financial management.
9. Explain the main aims of finance function.
10. What is financial management? What major decisions are required to be taken in finance?

UNIT – II

SECTION –B (K3 LEVEL)

1. What are the limitations of capital budgeting?
2. What are the kinds of capital budgeting decisions?
3. Explain factors influencing the Capital budgeting decisions.
4. Give a comparative description of net present value method and internal rate of return method.
5. Define cost of capital. Explain the significance of cost of capital.
6. Mention the various classification of cost with related to cost of capital.
7. What is meant by cost of capital? What are the components of cost of capital?
8. How will you determine the cost of debt capital in a growth company?
9. Discuss how the cost of preference share capital is computed.
10. What is cost of retained earnings? How is it computed?

UNIT- III

SECTION –B (K3 LEVEL)

1. What is mean by capital structure? What are the difference between financial structure and capital structure?
2. Write about the need and importance of adequate capital structure.
3. Define optimum capital structure – Explain its main objectives.
4. Write a short note onNet Income Theory Approach.
5. Differentiate 'capitalisation' and capital structure'.
6. Name the various theories of capital structure.
7. What is optimal capital structure? What are the essential features of a sound capital mix?
8. What do you understand by capital gearing? What is its significance?
9. Explain the different forms of capital structure that can be used by any company?
10. What do you understand by changes in capital structure? What is its reasons?

UNIT- IV

SECTION –B (K3 LEVEL)

1. What are the forms of Dividend in ordinary course of business?
2. Write a short note about irrelevance concept of dividend.
3. What are the assumptions underlying Gardon'smodel.
4. Write down any five factors determining the dividend policy of a firm.
5. What do you understand by bonus issue? Mention the circumstances that warrant the issue of bonus shares.
6. What do you understand by a stable dividend policy? Why should it be followed?
7. Give the various sources of bonus issue.
8. What is dividend pay-out ratio? Distinguish it with retention ratio.
9. Write the short note on two main theories of dividend.
10. What do you understand by retained earnings? Differentiate it with dividend.

UNIT- V

SECTION –B (K3 LEVEL)

1. What is meant by working capital? What are the two basic concepts used for working capital? Explain.
2. Name the various kinds of working capital.
3. Write the sources of permanent/fixed or long-term working capital.
4. Explain the various sources of temporary, variable or short-term working capital.
5. What are the ways in which working capital finance is provided by banks?
6. Write about the importance of adequate working capital.
7. Explain the motives for holding cash.
8. What do you understand by cash management? How can it be undertaken?
9. Name the various factors influencing the size of receivables.
10. Briefly explain the costs and benefits associated with receivables.

K4,K5 LEVEL

UNIT – I

SECTION –C(K4,K5 LEVEL)

1. What are the objectives and goals of financial management?
2. Explain in detail about the functions of Treasurer and Controller in India?
3. What do you understand by financial by financial decisions? Discuss the major financial decisions.
4. “Maximisation of profits is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing shareholders’ wealth”. Comment.
5. Critically analyse the functions of Financial Manager in a large scale industrial establishment.

UNIT – II

SECTION –C (K4, K5 LEVEL)

1. State how you would determine the weighted average cost of capital of a firm and explain its limitations.
2. Explain need and importance of Capital Budgeting.
3. What do you understand by capital budgeting process? Enumerate briefly the major steps involved in capital budgeting.
4. What is the importance of cost of capital? Discuss the problems in determining it.
5. Examine critically the different approaches for computing the cost of equity.

UNIT – III

SECTION –C (K4, K5 LEVEL)

6. Give critical appraisal of the net income and net operating income approaches to capital structure.
7. Explain the meaning of the term capital structure and mention the factors affecting capital structure.
8. Why companies try for the optimum capital structure? Explain the main objectives of an optimum capital structure?
9. Briefly explain the main reasons necessitating change in capitalization.
10. Briefly explain about the various theories of capital structure.

UNIT – IV

SECTION –C (K4, K5 LEVEL)

1. What do you understand by term dividend? Explain the different types of dividends declared by companies.
2. What are the different dividend policies available to the firm? What are their advantages?
3. "Dividends are relevant ". Discuss Walter's model in the light of above statement.
4. What are the essentials of Gordon's model of dividend effect? Does dividend policy affect the value of the firm under Gordon's model?
5. Discuss the various factors determining the Dividend policy. Explain in detail.

UNIT – V

SECTION –C (K4, K5 LEVEL)

1. Define the term working capital. What factors would you take into consideration in estimating the working capital needs of a concern?
2. Explain briefly the essentials of a sound working capital management.
3. What do you understand by working capital management? Discuss the principles of working capital management.
4. "Efficient cash management will aim at maximizing the cash inflows and showing cash outflows". – Discuss.
5. What is 'receivables management? How it is useful for business concerns?

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