SIDDHARTH INSTITUTE OF ENGINEERING & TECHONOLOGY: PUTTUR

Department of MBA- II Semester

SUB: FINANCIAL MANAGEMENT (19MB9009)

Unit – I

1. What is financial management? Explain nature and scope of financial management.[10M]
2. Define financial management. Describe various important functions of finance [10M]
3. Discuss" Profit maximization vs Wealth maximization" [10M]
4. Define finance and explain the role of financial manager. [10M]
5. Every Manager has to take three major decisions while performing the finance function. Briefly explain them. [10M]
6. What is meant by "Financial management" Explain its importance. [10M]
7. Explain Risk- Return Trade off with an example? [10M]
8. Share Holders Wealth maximization is the ultimate goal of the company. Discuss.[10M]
9. Explain Investment decision and capital structure decision in detail. [10M]
10. Explain dividend decision and liquidity decision of the firm in detail. [10M]

Unit – II

1. Define investment. Discuss the process of investment [10M]
2. What is capital budgeting? Discuss different types of capital budgeting proposals? [10M]
3. Explain payback period and Net Present Value with an example [10M]
4. Explain different methods of evaluating Investment projects with examples and their merits and demerits. [10M]

5. A company has to select one of the following projects: [10M]

Particulars	Project A (Rs)	Project B (Rs)
Cost	11000	10000
Cash Inflows:		
Year 1	6000	1000
Year 2	2000	1000
Year 3	3000	2000
Year 4	5000	10,000

Use the payback method to suggest a project.

6. Explain the concept of time value of money [5M]

   Write short notes on a) Present Value b) Future Value [5M]

7. Explain risk analysis in capital budgeting decisions. [10M]

8. Write short notes on a) Expected NPV b) Certainty Equivalent [10M]

9. Explain the terms below
   Accounting Rate of Return Method b) Payback Period [10M]

10. Assume that a project requires an outlay of 50000 rupees and yields annual cash inflows of 10000, 12000, 14000, 15000 and 18000 respectively from year one through five. Calculate Accounting Rate of Return? [10M]

Unit – III

1. Explain the Operational efficiency in the determination of working capital requirements. [10M]
2. Explain the determinants of working capital requirements? How Working capital affects the liquidity and profitability of a business. [10M]

3. What is meant by Working capital cycle? Explain with a diagram. [10M]

4. Discuss various sources of working capital in detail? [10M]

5. What is operating cycle? Explain with the diagram? [10M]

6. What is ratio analysis? Explain its importance? [10M]

7. Explain liquidity ratios and leverage ratios in detail. [10M]

8. Explain turn over ratios and profitability ratios in detail [10M]

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9. A firm sold goods worth rupees 5,00,000 and its gross profit is 20% of sales value. The inventory at the beginning of the year was rupees 16,000 and at the end of the year was rupees was 14,000. Compute inventory turnover ratio and also the inventory holding period [10M]

10. A firms sales during the year was rupees 4,00,000 of which 60 percent were on credit basis. The balance of debtors at the beginning and end of the year were 25,000 and 15,000 respectively. Calculate debtors turnover ratio of the firm and also find debt collection period [10M]

Unit –IV

1. Critically examine capital structure irrelevant theories? [10M]

2. Define Leverage. Explain the different types of Leverages. [10M]

3. A company has a total sales of Rs.10,00,000 variable cost of 70%, total cost Rs.9,00,000 and debt of Rs.5,00,000 @ 10% rate of interest and its tax rate is 40%. What are Financial, Operating leverages and Earnings after tax? If the firm wants to double up its EBIT, how much of a rise in sales would be needed on a percentage basis? [10M]

4. What are long term sources of finance? [10M]

5. Define cost of capital and explain components of cost of capital [10M]

6. How to calculate the cost of capital of debt cost of equity and cost of preference shares? [10M]

7. Explain capital structure relevant theories. [10M]

8. Explain the concept of EBIT –EPS analysis. [10M]

9. A company has a total sales of Rs.1,00,000 variable cost of 60%, total cost Rs.90,000 and debt of Rs.46,000 @ 10% rate of interest and its tax rate is 35%. What are Financial, Operating leverages and Earnings after tax? [10M]

10. Explain Net Income approach and Net Operating Income approach of capital structure.[10M]

Unit –V

1. Critically analyze the assumption of MM Hypothesis of irrelevance dividend theory. [10M]

2. The following information is available in respect of a firm: Capitalization rate (Ke) = 0.10 Earnings per Share (E) = Rs.10. Assume rate of return on investments (r); (i) 15% (ii) 8% and (iii) 10%. Show the effect of dividend policy on the market price of shares, using Walter's model. [10M]

3. With an example, compare and contrast Walter and Gordon's model on dividend policy. Which do you think to be the best? Justify your answer with scenarios. [10M]

4. Given the following information about Rama Industries Limited. show the effect of the dividend policy on the market price per share, using Walter's model. EPS = Rs.8; Cost of capital = 12%; Assumed rate of return: [10M]

(i) 15%

(ii) 10%

(iii) 12%

5. Explain dividend relevant theories? [10M]

6. A low dividend payout ratio promotes the welfare of stock holders because long-term capital gains are treated more favorable than dividends income from the tax point of view. Discuss? [10M]

7. Explain the two propositions of Modigliani- Miller (MM) hypothesis on capital structure. How does MM prove their hypothesis? [10M]

8. A). What are the factors that determine the dividend policy of a company? [10M]
B). Write short notes on: a) Walter's Model b) Stable dividend policy

9. Explain the factors which affect dividend decision of a firm? [10M]

10. Write short notes on [10M]
a) Buyback of shares b) forms of dividends.

CASE STUDIES

1) Given the following information about Rama Industries Limited show the effect of the dividend policy on the market price per share, using Walter‟s model. EPS = Rs.8; Cost of capital = 12%; Assumed rate of return:
(iv) 15%

(v) 10%

(vi) 12%

2) The following information is available is respect of a firm: Capitalization rate (Ke) = 0.10
Earnings per Share (E) = Rs.10

Assume rate of return on investments (r); (i) 15% (ii) 8% and (iii) 10%.

Show the effect of dividend policy on the market price of shares, using Walter's model.

3) A company has a total sales of Rs.10,00,000, variable cost of 70%, total cost Rs.9,00,000 and debt of Rs.5,00,000 @ 10% rate of interest and its tax rate is 40%. What are Financial, Operating leverages and Earnings after tax? If the firm wants to double up its EBIT, how much of a rise in sales would be needed on a percentage basis?
4) A company has to select one of the following projects. Use payback method to suggest a project.

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