**FINANCIAL MANAGEMENT**

**Section -A**

1. Define financial management?
2. What is profit maximization?
3. What is wealth maximization?
4. What is finance?
5. What is risk-return trade off?
6. What is capital structure?
7. What is net income approach?
8. What is net operating income?
9. What is mm approach?
10. What is arbitrage?
11. What is capital structure?
12. What is net income approach?
13. What is net operating income?
14. What is mm approach?
15. What is arbitrage?
16. What is traditional approach?
17. What is EBIT? And its importants
18. What is EPS?
19. What is capital structure?
20. What is net income approach?
21. What is net operating income?
22. What is mm approach?
23. What is arbitrage?
24. What is traditional approach?
25. What is EBIT?
26. What is EPS?
27. Define capital budgeting?
28. What is pay pack method?
29. What is discounted cash flow method?
30. What is accounting rate of return ?
31. What is NPV?
32. What is internal rate of return?
33. Define cost of capital. what is cost of debt?
34. What is cost of equity capital?
35. What is CAPM?
36. What is weighted average cost of capital?
37. What is dividend price method?
38. What is leverage?
39. What is operating leverage?
40. What is financial leverage?
41. What is composite leverage?
42. What is financial risk?
43. What is dividend?
44. Define Walter model
45. Define Gordon model
46. What is cash dividend?
47. What is bond dividend?
48. What is stock dividend?
49. Explain two the function o f financial management?

**Section -B**

1.Scope of financial management?

2. Difference between profit max and wealth max?

3. Explain the approach to financial management ?

4. What are scope of the capital structure?

5. Explain the capital structure planning?

6. Explain the arbitrage process under mm approach?

7. Explain the need and importance of capital budgeting?

8. Explain the process of capital budgeting ?

9. Explain the features of cost of capital?

10.Explain the importance of cost of capital?

11. Explain the types of leverages.

12.Explain the import ants factors of dividend policy?

13.Discuss in organization of finance function?

14.Explain the function of financial management ?

15.Different theories capital struture?

**Section -C**

1. Discuss in organization of finance function?

2. Explain the function of financial management ?

3. Different theories capital structure?

4. Define capital budgeting?

5. Explain the various types of approaches?

6. Explain the procedure of capital budgeting?

7. Explain the features of cost of capital?

8. Explain the importance of cost of capital?

9. Explain the classification of cost of capital?

10.Explain the different method of calculating the cost of equity capital?

11.Explain the typeof leverages?

12.Explain the import ants factors of dividend policy?

13.Explain the import ants factors of dividend policy?

14. Explain the types of net income approach?

15. Explain the types of net operating income?

**Problems**

**1**.A company issued a 10% perpetual debt for Rs. 15,00,000. The company is in the 40% tax bracket. Find the cost of debt after tax (i) at per (ii) at a discount of 15% (iii) at a 10% premium.

**2.** From the following data calculate the degree of operating leverage. Which of the two firms have greater risk?

Particular Firm X FIRM Y

Sales 10 LAC 20 LAC

Variables costs 20% Of sales 20% Of sales

Fixed cost 4 lacs 1 lacs

**3**. The following data is given of two companies X and Z calculate the value of the firm by noI approach.

EBIT 1,50,000 1,50,000

Debt 3,50,000 0

Rate of interest 7% -

Equity capitalization rate 10%

Tax @ 50%

4. Calculate the average rate of return of the projects X and Y from the following

Project X Project Y

Investment Rs. Rs. 20,000 30,000

Exerted life (no salvage 4 years 5 years

value)

Projected net income (after interest, depreciation and taxes)

Year 1 2,000 3,000

2 1,500 3,000

3 1,500 2,000

4 1,000 2,000

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6,000 10,000

If the required rate of return is 12% which project should be undertaken.

5. Compute the after tax cost of capital in following cases.

(a) A bond sold at par at the coupon rate of 13%

(b) A preference share sold at par at 14% dividend

(c) A 10-year redeemable year bond of Rs. 1,000 at 9% rate of interest sold at Rs. 900

(d) An equity share selling at a market price of Rs. 150 paying a current dividend of Rs. 12 Per share which is expected to grow at 8% rate of interest.

The tax rate of the company is 40%. In the above cases, compute after tax costs.

6. A firm provides the following information, sales Rs. 20,00,000 variable cost 20% of sales.

Fixed costs Rs. 3,00,000 and 4,00,000, debit @ 12% of interest.

What are its operatings. Financial and combined leverages?

If the firm doubles it's sales what could be the effect of OL and FL other expenditures (except variable expenses) remain unchanged.

7. Situation I a firm has 25% debt and 75% equity on its capital structure.

The cost of debt and equity are to be assumed to be 12% and 15% respectively.

What is the overall cost of capital?

Situation II, The firm increases its debt position to 50% kd is 12% and ke is 17%.

Cost of capital Situation II would be kd = 13% and ke = 19%, 70% debt 30% equity.

Find out the overall cost of capital in all the three situations

according to traditional approach.

8. A company is considering the purchase of the two machines with the following details :

Machine I Machine II Life estimated 3 years 5 years

Rs. Rs.

Capital cost 10,000 20,000

Net earning after tax :

1St year 8,000 2,000

2nd year 6,000 7,000

3rd year 4,000 10,000

Prepare a statement of profitability showing the pay back period.

9. A company has 12% rate of return on equity shares.

What would be the market price of shares

if the previous dividend (Do) was Rs.2 and

investors expect dividends to grow at a constant rate of 40%, 11%, 12% and 14%?

10. A company is planning to raise Rs.2,00,000.

It has three optional plans to finance it.

* Plan 1 consists of issue of equity shares at face value of Rs.10 each at

premium of Rs.10 per share

* Plan 2 consists of 50% equity and 50% debt equity at a premium

of Rs.10 and debt would cost 8%.

* Plan 3 would be to raise 50% equity of Rs.10 each

at premium of Rs.10 and-Preference shares at 8% dividend.

The firm would be operating at an EBIT of 80,000 and tax rate is 35%.

(a) Find out earnings per share for Three plan

(b) Indifference point of Three plan.