



(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 270204

Roll No.

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M.B.A.

(SEM. II) THEORY EXAMINATION, 2014-15
FINANCIAL MANAGEMENT

Time : 3 Hours]

[Total Marks : 100

SECTION - A

1. Answer all questions carefully. **2x10**
- (a) What is Business Finance? What are three decisions of finance function?
 - (b) State the objectives of financial management.
 - (c) Clarify EBIT-EPS analysis.
 - (d) What is financial risk? Why does it arise?
 - (e) How capital budgeting decisions are taken?
 - (f) What do you understand by the working capital?
 - (g) When is said to be capital structure optimum?

- (h) Which is the most costly capital of a company?
- (i) What is the cheapest source of finance?
- (j) What are the factors affecting the dividend decisions?

SECTION - B

Answer any three of the following.

3x10

Each questions carry equal marks.

- (1) Explain how the objective of wealth maximization is superior to profit maximization?
- (2) Equity Share Capital is a perpetual capital. Discuss.
- (3) Debentures occupy a very important place in financial plan. Discuss the statement and point out the limitations of debenture financing.
- (4) What is a stable dividend policy? Why should a firm follow such a policy?
- (5) Discuss the various factors affecting the level of working capital management.

SECTION - C

All questions are compulsory.

5x10

- 1 What do you understand by Financial Management? Discuss the scope of Financial Management.

OR

Companies should avoid financial risk by going for a zero debt policy. Discuss.

- 2 What is Capital Budgeting? Discuss the process and techniques of Capital Budgeting?

OR

What do you understand by Financial and Operating Leverage? What are the implications of these on EBIT and EPS?

- 3 M-M approach is superior to traditional approach to optimum capital structure. Discuss.

OR

Explain the following terms (i) networth (ii) PBIT (iii) capital employed (iv) solvency (v) liquidity

- 4 The key argument of Walter's model is that a firm would have an optimum dividend policy. Comment and explain taking suitable illustration.

OR

What is Dividend? Explain various factors which influence the dividend decision of a firm.

- 5 "An appropriate mix and level of current assets and current liabilities bring about efficiency in working capital decisions" - Comment.

OR

Discuss the factors determining working capital. Also list out various sources for working capital financing.
