B. H. M. C. T.
(SEM. VI) EXAMINATION, 2006-07
FINANCIAL MANAGEMENT

Time : 3 Hours] [Total Marks : 100

Note : Attempt all questions.

1 Attempt any four questions of the following : \(5 \times 4 = 20\\)
   (a) Explain the three key activities of the financial manager.
   (b) Discuss the concept of wealth maximization.
   (c) What is modern approach to financial management?
   (d) What is the relevance of economics to financial management?
   (e) Explain the relationship between finance and accounting.
   (f) Explain in brief the relationship between financial management and supportive disciplines.

2 Attempt any four questions of the following : \(6 \times 4 = 24\\)
   (a) An executive is about to retire at the age of 60. His employer has offered him two post-retirement options: (a) Rs. 10,00,000 (b) Rs. 1,50,000 for ten years. Assuming 10 per cent interest, which is a better option?
(b) Explain the Average Rate of Return technique of capital budgeting.

(c) When pay back method of capital budgeting is applied?

(d) Differentiate between NPV and IRR methods of capital budgeting.

(e) How profitability index is calculated? Explain with example.

(f) Explain difficulties of capital budgeting.

3 Attempt any two of the following questions : \(12 \times 2 = 24\)

(a) Differentiate between explicit and implicit costs.

(b) How is cost of debt measured? Explain with example.

(c) How cost of redeemable preference capital is measured? Explain with example.

4 Attempt any two of the following questions : \(8 \times 2 = 16\)

(a) What type of risk is each leverage associated? Why is increasing leverage also indicative of increasing risk?

(b) What is over-capitalization? What are the remedies for over-capitalization?

(c) What is the indifference point and why is it so called? What is its usefulness?

5 Attempt any four of the following questions : \(4 \times 4 = 16\)

(a) Differentiate between production cycle and operating cycle.
(b) Working capital management deals with decisions regarding the appropriate mix and level of current assets and current liabilities. Explain.

(c) Discuss the utility of cash budget as a tool of cash management.

(d) What are the collection policies? How can they be evaluated?

(e) What is meant by credit terms? How are they designed?

(f) What are the objectives of inventory management?