

FINANCIAL MANAGEMENT
Multiple Choice Questions.
UNIT-I

1. Basic objective of Financial Management is _____.

- A. Maximization of profit.
- B. Maximization of share holder's wealth
- C. Ensuring Financial discipline in the firm.
- D. All of these.

ANSWER: B

2. Financial structure refers to _____.

- A. Short-term resources.
- B. All the financial resources.
- C. Long-term resources.
- D. All of these.

ANSWER: B

3. The market value of the firm is the result of _____.

- A. Dividend decisions.
- B. Working capital decisions.
- C. Capital budgeting decisions.
- D. Trade-off between risk and return.

ANSWER: D

4. Cost of capital is _____.

- A. Lesser than the cost of debt capital.
- B. Equal to the last dividend paid to the equity shareholders.
- C. Equal to the dividend expectations of equity shareholders for the coming year.
- D. None of the above.

ANSWER: D

5. In Walter model formula D stands for _____.

- A. Dividend per share.
- B. Direct dividend.
- C. Direct earnings.

D. None of these.

ANSWER: A

6. _____ security is known as variable income security.

- A. Debentures.
- B. Preference shares.
- C. Equity shares.
- D. None of these.

ANSWER: C

7. Quick asset does not include _____.

- A. Government bonds.
- B. Book debts.
- C. Advance for supply of raw materials.
- D. Inventories.

ANSWER: D

8. Long term finance is required for _____.

- A. Current assets.
- B. Fixed assets.
- C. Intangible assets.
- D. None of these.

ANSWER: B

9. Financial leverage can be measured in _____.

- A. Stock term.
- B. Flow term.
- C. Both (a) and (b).
- D. None of these.

ANSWER: C

10. Current ratio of a concern is 1, its net working capital will be _____.

- A. Positive.
- B. Neutral.
- C. Negative.

D. None of the above.

ANSWER: C

11. Risk-return trade off implies_____.

- A. Increasing the portfolio of the firm through increased production.
- B. Not taking any loans which increases the risk.
- C. Not granting credit to risky customers.
- D. Taking decision in such a way which optimizes the balance between risk and return.

ANSWER: D

12. _____ is a specific risk factor.

- A. Market risk.
- B. Inflation risk.
- C. Interest rate risk.
- D. Financial risk.

ANSWER: D

13. _____ is not a diversifiable or specific risk factor.

- A. Company strike.
- B. Bankruptcy of a major supplier.
- C. Death of a key company officer.
- D. Industrial recession.

ANSWER: D

14. Mr. Anil purchased 100 stocks of Futura Informatics Ltd, for Rs.21 on March 15, sold for Rs.35 on March 14 next year. In the company paid a dividend of Rs.2.50 per share, then Anil's holding period return is_____.

- A. 11.90%.
- B. 45.40%.
- C. 66.70%.
- D. 78.60%.

ANSWER: D

15. The 182-day annualized T bills rate is 9% p.a., the return on market is 15% p.a., and the beta of stock B is 1.5 the required rate of return from investment in stock B is_____.

- A. 17% p.a.

B.18% p.a.

C.19% p.a.

D.20% p.a.

ANSWER: B

16.The major benefit of diversification is to_____.

A. Increase the expected return.

B. Increase the size of the investment portfolio.

C. Reduce brokerage commissions.

D. Reduce the expected risk.

ANSWER: D

17.The risk free rate of return is 8% the expected rate of return on market portfolio is15% the beta of eco boards equity stock is 1.4.the required rate on eco boards equity is_____.

A.15.4%.

B.16.8%.

C.17.2%.

D.17.8%.

ANSWER: D

18._____ is concerned with the acquisition, financing, and management of assets with some overall goal in mind.

A.Financial management.

B.Profit maximization.

C.Agency theory.

D.Social responsibility.

ANSWER: A

19._____ is concerned with the maximization of a firm's earnings after taxes

A.Shareholder wealth maximization.

B.Profit maximization.

C.Stakeholder maximization.

D.EPS maximization.

ANSWER: B

20. _____ is the most appropriate goal of the firm.

- A. Shareholder wealth maximization.
- B. Profit maximization.
- C. Stakeholder maximization.
- D. EPS maximization

ANSWER: A

UNIT-II

21. Which of the following statements is correct regarding profit maximization as the primary goal of the firm?

- A. Profit maximization considers the firm's risk level.
- B. Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits.
- C. Profit maximization does consider the impact on individual shareholder's EPS.
- D. Profit maximization is concerned more with maximizing net income than the stock price.

ANSWER: D

22. If a company issues bonus shares the debt equity ratio _____.

- A. Remain unaffected.
- B. Will be affected.
- C. Will improve.
- D. None of the above.

ANSWER: C

23. Which of the following is not normally a responsibility of the treasurer of the modern corporation but rather the controller?

- A. Budgets and forecasts.
- B. Asset management.
- C. Investment management.
- D. Financial management.

ANSWER: A

24. The _____ decision involves determining the appropriate make-up of the right-hand side of the balance sheet.

- A. Asset management.

- B. Financing.
- C. Investment.
- D. Capital budgeting.

ANSWER: B

25. Treasurer should report to _____.

- A. Chief Financial Officer.
- B. Vice President of Operations.
- C. chief Executive Officer.
- D Board of Directors.

ANSWER: A

26. The _____ decision involves a determination of the total amount of assets needed, the composition of the assets, and whether any assets need to be reduced, eliminated, or replaced.

- A .Asset management.
- B. Financing.
- C. Investment.
- D. Accounting.

ANSWER: C

27. The par value of the stocks and bonds outstanding is termed as _____.

- A. Capitalization.
- B. Multiplication.
- C. Outstanding income.
- D. Earnings before interest and taxes.

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28. According to the text's authors, _____ is the most important of the three financial management decisions.

- A. Asset management decision.
- B. Financing decision.
- C. Investment decision.
- D. Accounting decision.

ANSWER: C

29. The _____ decision involves efficiently managing the assets on the balance sheet on a day-to-day basis, especially current assets.

- A. Asset management.
- B. Financing.
- C. Investment.
- D. Accounting.

ANSWER: A

30. _____ is not normally a responsibility of the controller of the modern corporation.

- A. Budgets and forecasts.
- B. Asset management.
- C. Financial reporting to the IRS.
- D. Cost accounting.

ANSWER: B

31. All constituencies with a stake in the fortunes of the company are known as _____.

- A. Shareholders.
- B. Stakeholders.
- C. Creditors.
- D. Customers.

ANSWER: B

32. Which of the following statements is not correct regarding earnings per share (EPS) maximization as the primary goal of the firm?

- A. EPS maximization ignores the firm's risk level.
- B. EPS maximization does not specify the timing or duration of expected EPS.
- C. EPS maximization naturally requires all earnings to be retained.
- D. EPS maximization is concerned with maximizing net income.

ANSWER: D

33. _____ is concerned with the maximization of a firm's stock price.

- A. Shareholder wealth maximization.
- B. Profit maximization.
- C. Stakeholder welfare maximization.

D. EPS maximization.

ANSWER: A

34. Corporate governance success includes three key groups. _____ represents these three groups.

- A. Suppliers, managers, and customers.
- B. Board of directors, executive officers, and common shareholders.
- C. Suppliers, employees, and customers.
- D. Common shareholders, managers, and employees.

ANSWER: B

35. In 2 years you are to receive Rs. 10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

- A. Fall.
- B. Rise.
- C. Remain unchanged.
- D. Cannot be determined.

ANSWER: B

36. Interest paid (earned) on both the original principal borrowed (lent) and previous interest earned is often referred to as _____.

- A. Present value.
- B. Simple interest.
- C. Future value.
- D. Compound interest.

ANSWER: D

37. The long-run objective of financial management is to _____.

- A. Maximize earnings per share.
- B. Maximize the value of the firm's common stock.
- C. Maximize return on investment.
- D. Maximize market share.

ANSWER: B

38. What is the present value of a Rs. 1,000 ordinary annuity that earns 8% annually for an infinite number of periods?

- A. Rs. 80.

- B.Rs.800.
- C.Rs.1, 000.
- D.Rs.12, 500.

ANSWER: D

39. Which one of the following is / are the relevance theory?

- A. Gordon.
- B. Walter.
- C. Residual.
- D. Both (a) and (b).

ANSWER: A

40. A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred to as _____.

- A. Probability distribution.
- B. The expected return.
- C. The standard deviation.
- D. Coefficient of variation.

ANSWER: A

UNIT-III

41. The weighted average of possible returns, with the weights being the probabilities of occurrence is referred to as _____.

- A. A probability distribution.
- B. The expected return.
- C. The standard deviation.
- D. Coefficient of variation.

ANSWER: B

42. _____ on capital gain and current income may influence form of capital.

- A. Legal stipulation.
- B. Rate of tax.
- C. Capital market condition.
- D. Cost of floating.

ANSWER: B

43. The most important and common form of dividend is _____.

- A. Stock dividend.
- B. Cash dividend.
- C. Bond dividend.
- D. Scrip's dividend.

ANSWER: A

44. _____ form of market efficiency states that current security prices fully reflect all information, both public and private.

- A. Weak.
- B. Semi-strong.
- C. Strong.
- D. Flexible.

ANSWER: C

45. Which form of market efficiency states that current prices fully reflect the historical sequence of prices?

- A. Weak.
- B. Semi-strong.
- C. Strong.
- D. Flexible.

ANSWER: A

46. _____ form of market efficiency states that current prices fully reflect all publicly available information.

- A. Weak.
- B. Semi-strong.
- C. Strong.
- D. Flexible.

ANSWER: B

47. _____ is concerned with the acquisition, financing, and management of assets with some overall goal in mind.

- A. Financial management.

- B.Profit maximization.
- C.Agency theory.
- D.Social responsibility.

ANSWER: A

48. _____ is the employment of an asset is sources of fund for which the firm has to pay a fixed cost or fixed return.

- A.Financial management.
- B.Profit maximization.
- C.Asset management.
- D.Leverage.

ANSWER: D

49. _____ is the minimum required rate of earnings or the cut off rate of capital expenditure.

- A.Cost of capital.
- B.Working capital
- C.Equity capital.
- D.None of the above.

ANSWER: A

50. _____ is a long term planning for financing proposed capital outlay.

- A.Capital Budgeting.
- B.Budgeting.
- C.Cash Budget.
- D.Sales Budget.

ANSWER: A

51. Which of the following is the first step in capital budgeting process?

- A.Final approval.
- B.Screening the proposal.
- C.Implementing proposal .
- D. Identification of investment proposal.

ANSWER: D

52. The term _____ refers to the period in which the project will generate the necessary cash flow to recoup the initial investment.

- A. Internal return.
- B. Payback period.
- C. Discounting return.
- D. Accounting return.

ANSWER: B

53. A mutually exclusive project can be selected as per payback period when it is _____.

- A. Less.
- B. More.
- C. More than 5 years.
- D. None of the above.

ANSWER: A

54. The project can be selected if its profitability index is more than _____.

- A. 1%.
- B. 3%.
- C. 5%.
- D. 10%.

ANSWER: A

55. Initial outlay 50,000, life of the asset 5 yrs, estimated annual cash flow 12,500, IRR = _____.

- A. 5%
- B. 6%
- C. 8%
- D. 10%

ANSWER: C

56. A project costs Rs. 1,00,000 annual cash flow of Rs. 20,000 for 8 years. Its payback period is _____.

- A. 1 year.
- B. 2 years.

C.3 years.

D.5 years.

ANSWER: D

57.X ltd issues rupees 50,000 8% debentures at a discount of 5%. The tax rate is 50% the cost of debt capital is _____.

A.4%.

B.4.2%.

C.4.6%.

D.5%.

ANSWER: B

58.Cost of the project is 6,00,000 , life of the project is 5 years annual cash flow is 2,00,000 cut off rate is 10% the discounted pay back period is _____.

A.2 yrs.

B.2 yrs 6 months.

C.3 yrs.

D.3 yrs 9 months.

ANSWER: D

59.To increase the given present value, the discounted rate should be adjusted

A. Upward.

B. Downward.

C. No change.

D. Constant.

ANSWER: B

60.Which form of market efficiency states that current security prices fully reflect all information, both public and private?

A.Weak.

B.Semi-strong.

C.Strong.

D.Highly strong.

ANSWER: C

UNIT-IV

61.

Which form of market efficiency states that current prices fully reflect the historical sequence of prices?

- A.Weak.
- B.Semi-strong.
- C.Strong.
- D.Highly strong.

ANSWER: A

62._____ is one that maximizes value of business, minimizes overall cost of capital, that is flexible, simple and futuristic, that ensures adequate control on affairs of business by the owners and so on.

- A.Minimal capital structure.
- B.Moderate capital structure.
- C.Optimal capital structure.
- D.Deficit capital structure.

ANSWER: C

63._____ refers to make-up of a firm's capitalization.

- A. Capital structure.
- B. Capital budgeting.
- C. Equity shares.
- D. Dividend policy.

ANSWER: A

64._____ of different sources of capital influences capital structure.

- A.Restrictive covenants.
- B.Tax advantage.
- C.Cost of capital.
- D.Trading on equity.

ANSWER: C

65._____ of debt capital is a factor in favor of using more debt capital.

- A.Tax advantage.

B. Debt equity norms.

C. Leverage effect.

D. Security of assets.

ANSWER: A

66. _____ is a payment of additional shares to shareholders in lieu of cash.

A. Stock split.

B. Stock dividend.

C. Extra dividend.

D. Regular dividend.

ANSWER: B

67. _____ such as restriction on business expansion, on raising additional capital, on declaration of dividend, nominee directors on the board, convertibility clause, etc.

A. Trading on equity.

B. Security of assets.

C. Restrictive covenants.

D. Debt capacity of a business.

ANSWER: C

68. Debt capacity of a business needs _____.

A. Restriction.

B. Consideration.

C. Leverage.

D. Security

ANSWER: B

68. Financial leverage refers to the rate of change in earnings per share for a given change in earnings

_____.

A. Before tax.

B. Before interest.

C. Before interest and tax.

D. After interest and tax.

ANSWER: C

70. Security of assets is determining factor for using _____.

- A. Debt capital.
- B. Equity capital.
- C. Preference capital.
- D. Cost of capital.

ANSWER: A

71. Land at prime locations, modern buildings, machinery in good condition, etc are accepted as

_____.

- A. Funds.
- B. Security.
- C. Liquid cash.
- D. Debt.

ANSWER: B

72. _____ refers the period between commencement of project construction and first commercial operation of the project.

- A. Maturity period.
- B. Initial period.
- C. Gestation period.
- D. Growth period.

ANSWER: C

73. Financial risk perception is an influencing factor of _____.

- A. Equity structure.
- B. Preference structure.
- C. Debt structure.
- D. Capital structure.

ANSWER: D

74. _____ bonds are again superior to ordinary bonds in terms of sale ability.

- A. Redeemable.
- B. Irredeemable.
- C. Convertible.

D.Non-convertible.

ANSWER: C

75._____, roll over, swap early retirement and the like need to be adopted when needed.

A.Periodic servicing.

B.Involvement.

C.Responsibility.

D.Investment.

ANSWER: A

76.The risk averse prefers debt instruments, while the risk seekers go for _____.

A. Equity investments.

B. Preference investments.

C. Debt investments.

D. None of these.

ANSWER: A

77.When capital market is booming, firms can take market route to _____.

A. Raise capital.

B. Decrease capital.

C .Stop growing.

D Stagnate.

ANSWER: A

78._____ is the expected cash dividend that is normally paid to shareholders.

A.Stock split.

B.Stock dividend.

C.Extra dividend.

D.Regular dividend.

ANSWER: C

79.What method of stock repurchase occurs when the buyer seeks bids within a specified price range and accepts the lowest price that will allow it to acquire the entire block of securities desired?

A.Dutch-auction.

- B.Fixed-price.
- C.Open-market.
- D.Fair-warning.

ANSWER: A

UNIT-V

80.The _____ is the proportion of earnings that are paid to common shareholders in the form of a cash dividend.

- A. Retention rate.
- B.1 plus the retention rate.
- C. Growth rate.
- D. Dividend pay-out ratio.

ANSWER: A

81. A method of budgeting that estimates today's value of money to be received in the future; It is discounted due to the uncertainty of its true value in the future and for the cost of the capital is _____.

- A. Cash inflow.
- B. Cash outflow.
- C. Discounted cash flow.
- D. Payback period

ANSWER: C

82.The long-run objective of financial management is to _____.

- A. Maximize earnings per share.
- B. Maximize the value of the firm's common stock.
- C. Maximize return on investment.
- D. Maximize market share.

ANSWER: A

83.The field of finance is closely related to the fields of _____.

- A. Statistics and economics.
- B. Statistics and risk analysis.
- C. Economics and accounting.
- D. Accounting and comparative return analysis.

ANSWER: C

84. The ultimate measure of performance is _____.

- A. Amount of the firm's earnings.
- B. The how the earnings are valued by the investor.
- C. The firm's profit margin.
- D. Return on the firm's total assets.

ANSWER: B

85. Which of the following are not among the daily activities of financial management?

- A. Sale of shares and bonds.
- B. Credit management.
- C. Inventory control.
- D. The receipt and disbursement of funds.

ANSWER: A

86. A main benefit to the corporate form of organization is _____.

- A. Double taxation of corporate income.
- B. Simplicity of decision making and low organizational complexity.
- C. Limited liability for the corporate shareholders.
- D. A major management role exists for the firm's owners.

ANSWER: C

87. Capital is allocated by financial markets by _____.

- A. A lottery system between investment dealers.
- B. Pricing securities based on their risk and expected future cash flows
- C. By pricing risky securities higher than low-risk securities.
- D. By a government risk-rating system based on AAA for low risk and CCC for high risk.

ANSWER: B

88. The allocation of capital is determined by _____.

- A. Expected rates of return.
- B. The Bank of Canada.
- C. The initial sale of securities in the primary market.
- D. The size of the federal debt.

ANSWER: A

89. The mix of debt and equity in a firm is referred to as the firm's _____.

- A. Primary capital.
- B. Capital composition.
- C. Cost of capital.
- D. Capital structure.

ANSWER: C

90. The main focus of finance for the last 40 years has been _____.

- A. Mergers and acquisitions.
- B. Conglomerate firms.
- C. Inflation.
- D. Risk-return relationships.

ANSWER: A

91. Rate of tax on capital gain and current income may influence form of _____.

- A. Equity.
- B. Preference.
- C. Debt.
- D. Capital.

ANSWER: D

92. In finance, "working capital" means the same thing as _____.

- A. Total assets.
- B. Fixed assets.
- C. Current assets.
- D. Current assets minus current liabilities.

ANSWER: C

93. In deciding the appropriate level of current assets for the firm, management is confronted with

_____.

- A. A trade-off between profitability and risk.
- B. A trade-off between liquidity and marketability.
- C. A trade-off between equity and debt.

D. Trade-off between current assets and profitability.

ANSWER: A

94. _____ varies inversely with profitability.

A. Liquidity.

B. Risk.

C. Accounts.

D. Trade.

ANSWER: A

95. Permanent working capital _____.

A. Varies with seasonal needs.

B. Includes fixed assets.

C. Is the amount of current assets required to meet a firm's long-term minimum needs.

D. Includes accounts payable.

ANSWER: C

96. Net working capital refers to _____.

A. total assets minus fixed assets.

B. current assets minus current liabilities.

C. current assets minus inventories.

D. current assets.

ANSWER: B

97. Earlier a debt equity norm of _____ was generally insisted on by the controller of capital issues.

A. 1:1.

B. 1:2.

C. 2:1.

D. 2:2.

ANSWER: C

98. The symptom of large inventory accumulation in anticipation of price rise in future will be indicated by _____.

A. Asset turnover ratio.

B. Working Capital turnover ratio.

C. Inventory turnover ratio.

D. All of the above.

ANSWER: C

99.To financial analysts, "gross working capital" means the same thing as _____.

A. Fixed assets.

B. Current assets.

C. Working capital.

D. Cost of capital.

ANSWER: B

100.An example of fixed asset is_____.

A.Live stock.

B.Value stock.

C.Income stock.

D.All of the above.

ANSWER: A

18UBM306 FINANCIAL MANAGEMENT

K2 QUESTIONS

UNIT-I

1. What is the financial management?
2. Why financial management need for business?
3. What are the functions of financial management?
4. Define finance.
5. What are the objectives of financial management?
6. What is profit maximization?
7. What is wealth maximization?
8. What are the short term sources of finance?
9. What are the long term sources of finance?
10. Define shares.

UNIT-II

11. Which factors affects financial decisions.
12. Define cost of capital.
13. Define Equity.
14. What is preferred stock?
15. Define Weighted average cost of capital.
16. What is operating leverage?
17. Define financial leverage.
18. Define leverage.
19. Write any two advantages of leverage.
20. Write any two advantages of cost of capital,

UNIT-III

21. What is meant by optimal capital structure?
22. List the factors influencing capital structure.

23. Give the meaning of dividend.
24. List out the determinants of dividend policy.
25. What are the major sources available for dividends?
26. List the classification of dividend.
27. What are the sources available for dividends?
28. Define general dividend policy.
29. Give the meaning of dividend policy.
30. Define capital structure.

UNIT-IV

31. Define capital budgeting.
32. Write any two objectives of capital budgeting.
33. Explain capital budgeting decisions.
34. Write two types of capital budgeting.
35. Briefly explain methods of capital budgeting.
36. Expand ARR.
37. How do you calculate the ARR?
38. Expand IRR.
39. State the steps of capital budgeting process.
40. Write a note on internal rate of return.

UNIT-V

41. Define working capital.
42. Write the objectives of working capital management.
43. Write the objectives of working capital management
44. List the factors affecting working capital
45. Mention the need of working capital management
46. Draw the working capital cycle
47. List the various components of operating cycle.
48. Define cash management.
49. What is receivable management?
50. Explain credit policies.

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SECTION B(K3 Questions)

UNIT-I

1. Discover the scope of finance functions.
2. List the objectives of financial management.
3. Compare profit maximization and wealth maximization.
4. List out the characteristics of profit maximization
5. List out the characteristics of Wealth maximization
6. Analyze and explain what is shares and its features.
7. List the advantages of shares.
8. List the disadvantages of shares.
9. Distinguish shares and debentures.
10. List the advantages of debentures.

UNIT-II

11. Assume and write the brief note about preferred stock.
12. Analyze and brief note on debt.
13. Discover and write brief note about financing decision.
14. Assume the characteristics of cost of capital.
15. Discover the factors affecting cost of capital.
16. Examine the systems of weighted average cost of capital.
17. List the significance of financial leverage.
18. List the limitations of financial leverage.
19. List the significance and of operating leverage.
20. List the limitations of operating leverage.

UNIT-III

21. Define capital structure and analyze what are the factors influencing capital structure?

22. Following are the figures related to PQR Co:

Sales Rs. 10,00,000 variable costs 40% of sales, and fixed cost Rs. 2,00,000, interest Rs. 15,000.

Calculate operating, financial and combined leverage. Also state change in the above leverages if selling price is increased by 15%.

23. Analyze the features of optimal capital structure.

24. Analyse and explain what is dividend?

25. Analyse and explain what is dividend policy?

26. Assume and write brief note on dividend policy general.

27. Examine the concepts of working capital.

28. Discover the classification of dividend policy.

29. List the components of capital structure.

30. Assume the importance of capital structure.

UNIT-IV

31. Contrast the objectives of capital budgeting.

32. Discover the principles of capital budgeting.

33. List the importance of capital budgeting.

34. Assume the process of capital budgeting.

35. The company wants to reduce the labour cost by installing a new machine. Two types of machines are available in the market, machine X and machine Y. Machine X would cost Rs.18,000 where as machine Y would cost Rs.15,000. Both the machines can reduce annual labour cost by Rs. 3000. Calculate payback period method of both the machine and recommend the best machine.

36. Analyse and list the various capital budgeting methods.

37. Examine the concept of payback period capital budgeting method.

38. Examine the concept of Net present value capital budgeting method.

39. Examine and write the concept of Internal rate of return capital budgeting method.

40. Assume and write the process of profitability index capital budgeting method.

UNIT-V

41. Analyze and write brief note about working capital management.

42. List the concepts of working capital.

42. Assume the importance of working capital.

43. Analyze and write the short notes on cash management.

44. Discover the objectives of cash management.

45. Discover the importance of cash management.

46. Inspect and explain the motives of holding cash.

47. Inspect how payment and credit limit set up?

48. Discover the importance of receivables management.

49. Discover the benefits of credits policies.

50. Analyze and write the objectives of receivables management

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SECTION - C(K4 &K5 Questions)

UNIT-I

1. Formulate the objectives of financial management.
2. Elaborate and write the difference between profit maximization and wealth maximization.
3. Develop retained earnings with its advantages and disadvantages.
4. Discuss in detail note on the short term sources of finance.
5. Discuss in detail note on the long term sources of finance.

UNIT-II

6. Discuss in detail note on cost of specific sources of capital.
7. Explain weighted average cost of capital.
8. Construct the cost of reserves and preferred stock sources.
9. Predict the difference between operating and financial leverages
10. Formulate computation of cost of capital.

UNIT-III

11. The sources of capital structure are enumerated below

Equity share	Rs. 8,00,000
14% preference share	Rs. 5,00,000
10% term loan	Rs. 10,00,000

The expected dividend on equity capital is 10%. The company tax rate is 50%. Calculate the weighted average cost of capital, before and after tax.

12. Develop the factors affecting dividend policy.
13. Imagine and write the types of dividend policy.
14. Elaborate the factors affecting capital structure.
15. Discuss in detail note on the determinants of dividend policy.

UNIT-IV

16. Predict and write the objectives of capital budgeting.
17. Imagine the factors influencing capital budgeting.
18. Formulate the methods of capital budgeting.
19. Discuss the types of capital budgeting.
20. Machines A and B are detailed below.

ITEMS	MACHINE A	MACHINE B
Cost	50,000	50,000
Annual earnings after depreciation and taxes.		
1 st year	3,000	11,000
2 nd year	5,000	9,000
3 rd year	7,000	7,000
4 th year	9,000	5,000
5 th year	11,000	3,000
	35,000	35,000

Depreciation has been charged on straight line basis and estimated life of both machines is 5 years. You are required to find out

1. Average rate of return on machines A and B.
2. Which machine is better from the point of view of payback period and why?
3. Calculate average rate of return when salvage value of machine A turns out to be Rs. 3000 and when B machine has zero salvage value.

UNIT-V

21. Discuss the determinants of working capital.
22. Formulate the types of working capital.
23. Estimate and explain the strategies of cash management.
24. Imagine and explain the elements of credit policies.
25. Build the steps involved in receivables management.

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