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Total Number of Pages: 01

MAM
IMB404

4th Semester Regular Examination – 2016-17

FINANCIAL MANAGEMENT

BRANCH(S): MAM

Time: 3 Hours

Max marks: 70

Q.CODE:Z1145

Answer Question No.1 which is compulsory and any five from the rest.

The figures in the right hand margin indicate marks.

- Q1 Answer the following questions briefly. (2 x 10)**
- a) Define finance function.
 - b) Explain financing decision.
 - c) Explain payback period.
 - d) What is NPV in capital budgeting?
 - e) What is retained earnings? Does it have any cost to the firm?
 - f) What is financial leverage?
 - g) Suppose sales are Rs.7 lakh, variable cost is Rs.5 lakh and fixed cost is Rs.1.50 lakh .What is the value of operating leverage?
 - h) What is optimum capital structure?
 - i) Define working capital.
 - j) What is conservative dividend policy?
- Q2 Explain how maximization of wealth goal is superior to profit maximization goal? (10)**
- Q3 Explain the following project appraisal methods. (10)**
- a) Accounting rate of return
 - b) Profitability index
- Q4 How is WACC computed? Explain the merits of computing WACC. (10)**
- Q5 The sale of a company is Rs.10 lakh, variable cost is Rs.6 lakh, fixed operating cost is Rs.2 lakh and interest is Rs.1 lakh. Compute the combined leverage and interpret the result. (10)**
- Q6 Explain the assumptions of capital structure theories. Explain NI approach (10)**
- Q7 Explain the following in the context of dividend. (10)**
- a) Walter's formula
 - b) Gordon's formula
- Q8 Write short notes (5x 2)**
- a) Need for working capital
 - b) Operating cycle