

**S. S. Jain**  
**Subodh Management Institute**

**MBA II Semester**

**M-204**

**Financial  
Management**

**Sample Questions**

**Part A: Short answer question (up to 25 words)**

**Part B: Analytical/ problem Solving questions**

**Part C: Descriptive/ Analytical/ Problem Solving/  
Case questions.**

## PART A

### Unit I

#### Very short questions

##### Unit 1(Introduction to financial management)

- Q1. What do you mean by financial management?
- Q2. Explain risk - return rate off concept.
- Q3. Explain the scope of financial management.
- Q4. What do you understand by finance function?
- Q5. What are the drawbacks of traditional approach of Finance function?
- Q6. What are the main financial decisions?
- Q7. Give two limitation of financial management?
- Q8. Give name of any two task of the modern financial manager.

##### Unit 2(Sources of Financing)

- Q1. Write Short note on:
  - a) equity share
  - b) Preference share
  - c) Retained earnings
  - d) Bonds
  - e) Debentures
  - f) venture capital
  - g) Leasing Finance
  - h) Term loan

##### Unit 3 (Time value of Money)

- Q1. What are the 3 main reasons of time value of money?
- Q2. How is TVM used in real life?
- Q3. What are the two techniques of time value of money?

##### Unit 4(Investment Decisions)

- Q1. What is meant by capital budgeting decision?
- Q2. A company wants to establish a new unit in which a machinery of worth ₹ 10 lakh is involved. Identify the type of decision involved in financial management.
- Q3. What are the key issues in investment decision?
- Q4. What factors influence your investment decisions?
- Q5. How do you measure investment decisions?
- Q6. What are the two critical components of investing decisions?

### **Unit 5(Cost of Capital)**

- Q1. Define cost of capital.
- Q2. Mention characteristics of cost of capital.
- Q3. What is the importance of concept of cost of capital?
- Q4. What Is Cost Of Retained Earnings?
- Q5. Differentiate between business risk and financial risk.
- Q6. What is marginal cost of capital?
- Q7. What is implicit cost of capital?
- Q8. What is meant by historical cost of capital?
- Q9. What is the cost of debt capital?

### **Unit 6 (Working Capital Management & Leverage)**

- Q1. What Is Working Capital?
- Q2. What Is Variable Working Capital?
- Q3. What Is Fixed Working Capital?
- Q4. What Is The Primary Objective Of Working Capital Management?
- Q5. How does production cycle effect working capital?
- Q6. Explain Combined Leverage?
- Q7. Explain Leverages?

### **Unit 7 (Capital Structure)**

- Q1. What Is Net Operating Income (noi)?
- Q2. What Is Trade-off Theory?
- Q3. Name The Theories Of Capital Structure?

### **Unit 8(Dividend Policy Decisions)**

- Q1. What are dividend policy decisions?
- Q2. What factors influence dividend policy decisions?
- Q3. What are the main dividend policy alternatives?
- Q4. What is the significance of dividend policy decisions?
- Q5. How does dividend policy affect shareholders?

## **PART B**

### **Unit I**

#### **Short questions**

#### **Unit 1(Introduction to financial management)**

- Q1. Discuss approaches to financial function.
- Q2. What are the major difference between traditional approach and modern approach of financial management?
- Q3. "Sound financial management to the key to the success of corporations". Explain.
- Q4. Briefly describe the modern approach of finance.
- Q5. What are the major differences between accounting and Finance?
- Q6. What are the major types of financial management decision that business forms make? Describe each.
- Q7. Differentiate between financial management and cost management?

#### **Unit 2(Sources of Financing)**

- Q8. Explain the difference between equity shares. Debenture Is a cheaper source of fund explain.
- Q9. Briefly explain the various sources of long term financing in Indian industries.
- Q10. Discuss the sources from which a company can Grace in foreign currency? Explain.
- Q11. "Lease financing is useful to the companies in meeting long term finance need". Explain.

#### **Unit 3(Time value of Money)**

- Q12. Explain the concept of time value of money. "Cash flows at different points of time are not comparable "comment on this statement.
- Q13. "Time value of money is helpful in capital budget" explain.
- Q14. What is an annuity? How does on ordinary annuity differs from annuity due?
- Q15. What do you mean by compounding technique? How does it help in finance decision making
- Q16. Explain by the suitable illustration.

#### **Unit 4(Investment Decisions)**

17. Why Capital budgeting decisions are more important?
- Q18. "Pay back Method is a test of liquidity and not profitability. "Discuss
- Q19. What is the meant by capital Rationing?

- Q20. What is the distinguish feature of present value technique over the other
- Q21. Methods of investment appraisal?
- Q22. Discuss the method used for evaluating and ranking of investment proposals.
- Q23. Capital expenditure decision are by far the most important decision in the field of financial Management .Elucidate
- Q24. Explain the difference between IRR and NV methods.

### **Unit 5(Cost of Capital)**

- Q25. What do you understand by weighted average cost of capital?
- Q26. How is the cost of newly issued equity share computed?
- Q27. Explain the historical cost and future cost of capital?
- Q28. What is the difference between average cost of capital and marginal cost of capital?
- Q29. What do you mean by floatation cost?
- Q30. What is difference between specific cost and composite cost of capital?
- Q31. Explain the formula of cost of capital of debt.

### **Unit 6 (Working Capital Management & Leverage)**

- Q32. Explain What Recommendations Of Tandon Committee Were Accepted By Rib According To Its Notification On 21st Aug 1975?
- Q33. What Were the Main Issues Studied By Tandon Committee to Exercise Control Over Working Capital?
- Q34. Explain What Factors Affect Working Capital Requirement?
- Q35. Differentiate between Financial Leverage and operating leverage?
- Q36. What Does High/ Low Financial Leverage Indicate?
- Q37. Discuss how Working capital affects both the liquidity and profitability of a business.
- Q38. Explain the role of 'Operational efficiency' in the determination of working capital requirement.

### **Unit 7 (Capital Structure)**

- Q39. What Is Capital Structure?
- Q40. What Are The Principles Of Capital Structure Management?
- Q41. Explain Norms For Capital Structure?
- Q42. How does 'Interest coverage ratio' affects the capital structure?
- Q43. What Is Traditional Approach And Net Income (ni) Approach?
- Q44. What Are The Internal Factors Affecting Capital Structure?
- Q45. What Are The External Factors Affecting Capital Structure?

### Unit 8(Dividend Policy Decisions)

Q46. Examine the various factor determining the sound dividend policy of a business enterprise.

Q47. Discuss the silent feature of a stable Dividend policy and point out its merits.

Q48. What are bonus share? Discuss its advantage and disadvantage.

Q49. Explain critically the Walter formula of dividend policy.

Q50. Dividend policy of a firm has no effect on the value of the firm. Comment

liberal Dividend policy is not always in the Welfare of shareholders. Explain



## **PART C**

### **Unit I**

#### **Long questions**

#### **Unit 1(Introduction to financial management)**

- Q1. What are the basic financial decision? Explain "profit maximization and wealth maximization" goals. Which is superior in your opinion and why?

#### **Unit 2(Sources of Financing)**

- Q2. Explain the various sources of long term and short term financing in Indian industries.

#### **Unit 3(Time value of Money)**

- Q3. What is the present value of Rs.1, 000 received in two years if the interest rate is?
- (a) 12% per year discounted annually
  - (b) 12% per year discounted semi-annually
  - (c) 12% per year discounted daily

#### **Unit 4(Investment Decisions)**

- Q4. What are the basis components of capital budgeting analysis? Explain the internal rate of return is a superior Technique than represent value method.

#### **Unit 5(Cost of Capital)**

- Q5. "Retained earnings is a source of capital without cost" comment and explain the method of determining its cost.

#### **Unit 6 (Working Capital Management & Leverage)**

- Q6. What is meant by Working capital? How is it calculated? Explain theDeterminants of working capital requirements.

#### **Unit 7 (Capital Structure)**

- Q7. Explain Traditional Approach of Capital Structure and also explain What Is Modigliani- Miller (m And M) Approach?

## Unit 8(Dividend Policy Decisions)

Q8. The Modigliani and Miller irrelevance approach to dividends is unrealistic. explain the statement by given a suitable example.

