



# INDIAN INSTITUTE OF MANAGEMENT & COMMERCE

DEGREE & P.G COLLEGE, An Autonomous College

Sponsored by VASAVI FOUNDATION & Affiliated to OSMANIA UNIVERSITY

RE-ACCREDITED BY NAAC WITH "A+" GRADE

An ISO 21001 : 2018 Certified College

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## M.Com. I Year, I Semester

### Subject: Financial Management

### Question Bank

#### UNIT I

##### Short Answer Questions

1. Rationale of Time preference for money
2. Agency Problems
3. Distinguish between Future value & Present Value
4. Annuity
5. Meaning of Financial Management

##### Essay Type Questions

1. Describe the scope & objectives of Financial Management
2. "Explain the Changing role of Finance manager in a modern business environment."
3. "Discuss how financial management has evolved over time"
4. Explain the major financial decisions taken by the Financial Manager.
5. Distinguish between Profit maximisation and Wealth maximisation.
6. How is the finance function organised in large business enterprises? Explain
7. Problems on present value, future value & annuity

#### UNIT II

##### Short Answer Questions

1. Meaning of Capital Budgeting
2. Distinguish between NPV and IRR
3. Profitability index
4. Capital rationing
5. Risk Adjusted Discount rate

##### Essay Type Questions

1. What is Capital Budgeting? Explain its process & significance.
2. What is risk in Capital Budgeting? Describe its sources and perspectives in detail.
3. Explain the various kinds of decisions involved in Capital Budgeting.
4. Discuss traditional and modern techniques of Capital Budgeting.
5. Problems on ARR, NPV, IRR

#### UNIT III

##### Short Answer Questions

1. Distinguish between gross and net working capital
2. Distinguish between operating cycle & cash cycle
3. Distinguish between permanent & variable working capital
4. Motives of holding cash
5. Motives of holding inventory
6. Components of inventory
7. ABC Analysis
8. EOQ
9. Lead time
10. Safety stock

### **Essay Type Questions**

1. Discuss the sources of financing working capital in detail.
2. "Working capital requirements vary from firm to firm." Justify this statement by explaining the major determinants of working capital.
3. Discuss in detail the objectives of cash management.
4. What is Receivables management? Discuss in detail the objectives and cost of receivables management.
5. What is the role of credit policy variables in the credit policy of a firm? Discuss.
6. Discuss the dangers involved in maintaining excess and inadequate investment in inventory.
7. Discuss in detail the tools & techniques of inventory control
8. Discuss in detail the objectives of inventory management.
9. Problems on estimation of working capital requirement
10. Problems on cost benefit analysis, EOQ & different stock levels

## **UNIT IV**

### **Short Answer Questions**

1. What is cost of capital?
2. Classification of Costs
3. Individual components of cost of capital.
4. Types of leverages
5. EBIT-EPS Analysis
6. Indifference point

### **Essay Type Questions**

1. What is cost of equity? Write a detailed note on the approaches available for computation of cost of equity.
2. Define cost of capital. Discuss in detail the steps involved in computation of WACC.
3. Problems on Cost of equity, debt, preference shares, retained earnings, WACC
4. Problems on leverages, EBIT-EPS Analysis
5. What is meant by capital structure? Explain in detail the major determinants of capital structure of a firm.
6. Discuss the net income approach and net operating income approach relating to theories of capital structure.
7. Explain the Modigliani–Miller approach to capital structure. Discuss its assumptions and limitations.

## **UNIT V**

### **Short Answer Questions**

1. Meaning of dividend
2. State the types of dividend policies
3. Forms of dividend

### **Essay Type Questions**

1. Discuss the Walter's model & Gordon's model relating to dividend theories.
2. What are the assumptions and criticism of MM hypothesis under the dividend policies?
3. Explain the factors that influence the dividend policy of a company.
4. Problems on Walter's model, Gordon's model of dividend relevance theories and MM Hypothesis of dividend irrelevance theories.