



*EASWARI ENGINEERING COLLEGE*

*DEPARTMENT OF MANAGEMENT STUDIES*



**BA 7202 – FINANCIAL MANAGEMENT**

**Question Bank**

**PART A**

1. How is the term finance more comprehensive than money management?
2. Define financial management.
3. What are agency costs?
4. What is the Security Market Line?
5. List the major functions of financial managers.
6. Distinguish between the functions performed by a treasurer & controller.
7. What is time value of money?
8. Distinguish between real & financial assets.
9. Briefly explain any two setbacks of Profit maximization.
10. Indicate any two remedial measures of agency problem.
11. Name the objective of conventional and modern approaches in financial management. Distinguish them on two aspects.
12. What is required rate of return?
13. Define YTM.
14. What is effective rate of interest?
15. What is the scope of financial management?
16. What is role of capital budgeting in financial decision making?
17. What are mutually exclusive decisions?
18. What is Profitability Index? (OR) Define Benefit cost ratio. (OR) What does profitability index signify?
19. State the accept reject criteria for IRR.
20. What are free cash flows?

21. How do you calculate the accounting rate of return? What are its limitations?
22. Brief the acceptance rule in ARR and PI methods.
23. What are the merits of payback method?
24. Define "Explicit Cost"
25. What is capital rationing? State the principle of capital rationing.
26. What is cost of capital? What are the various factors affecting cost of debt?
27. State the advantages of trading on equity.
28. What you mean by an optimal capital structure?
29. What is dividend payout ratio?
30. What is stable dividend policy?
31. What is operating leverage? (OR) Explain "Degree of Operating Leverage.
32. What is Financial Leverage?
33. What is combined leverage?
34. What are the different types of dividend that can be paid by a company? (OR)  
State the various forms of dividends.
35. Compare a bonus issue and a share split on 4 aspects.
36. State and brief any four factors which are relevant for determining the payout ratio.
37. What is share split up?
38. Define Factoring.
39. What is scrip dividend?
40. What is the significance of factoring?
41. State the different types of working capital.
42. How are receivables forecasted?
43. Name three motives for holding cash
44. Define working capital.
45. What is permanent working capital?
46. What is commercial paper? State its 2 features.
47. What are the objectives of cash management?

48. What is term loan?
49. State the various features of term loans
50. Define the term 'Venture Capital'. (OR) What do you understand by venture capital funds?
51. Mention four rights of an equity share holder
52. What do you understand by debenture? (OR) What is meant by debenture?
53. What is meant by subscribed share capital?
54. What is operating leasing?
55. Define a lease.
56. What are the various types of lease?
57. What are 'Restrictive covenants'? State two features of it.
58. Distinguish 'authorized share capital' and 'paid up share capital' on two aspects.
59. What is book building?
60. Differentiate between unredeemable & redeemable debentures.
61. What is the role of Indian Capital market?
62. List the merits of lease financing.
63. What do you mean by private equity?
64. Differentiate between leasing & HP.

## **PART B**

1. 'Financial Management is an appendage of the finance function'. –Comment.
2. Discuss fully the organization of the finance functions in a business. (OR) Write a note on how the finance function is incorporated in the organizational structure and explain the various functions performed by the Finance Department.
3. Explain briefly the valuation of bonds & shares with an illustration.
4. Explain Agency theory & its implication for financing decisions.
5. Profit Vs Wealth maximization. Explain. OR Explain the various setbacks of Profit maximization and how that can be overcome through Wealth maximization. (OR) What are the goals and objectives of Financial Management?

6. Discuss in detail the functions of financial managers. (OR) Define Financial Management. Explain the functions of Financial Manager. (OR) Explain various important decision making areas in Financial Management. (OR) Explain the role of financial manager
7. List out and explain the different methods that are used for measuring changes in value of money.
8. What is the relationship between Finance Function and other Disciplines?
9. Differentiate between risk & return for a single asset & that of a portfolio.
10. Define options. Explain the factors affecting the value of the option according to the Black Scholes Model.
11. What is the relationship between effective rate of interest and nominal rate of interest?
12. What is a put option? Explain how the intrinsic and time value of a put option is determined.
13. What is meant by the time value of a call option? What are the factors influencing the value of a call option?
14. What happens to the value of perpetuity when interest rates increase? What happens when interest rates decrease?
15. State the different kinds of capital budgeting proposals. How would you rank them for the purpose of their selection?
16. How can capital budgeting proposals be evaluated? State the different accept reject criteria. (OR) Explain three DCF capital budgeting techniques. Distinguish them on two aspects. (OR) Discuss the methods used for evaluating and ranking of investment proposals.
17. Under what circumstances do the NPV and IRR methods differ? Which method would be preferred and why?
18. What is capital budgeting? Discuss in detail the need and importance of it. (OR) "Capital budgeting decisions are by far the most important decisions in the field

- of financial management". Elucidate. State the need for it. (OR) What do you understand by the economics of capital budgeting? Explain.
19. How is the cost of a specific source of finance calculated? Brief with e.g. (OR) How do you measure the cost of capital from various sources of capital. Explain with illustrations (OR) what is cost of capital? What are various types of cost of capital? (OR) How are the different types of capital measured? Illustrate and explain. (OR) Explain the approach of weighted average cost of capital and state its limitations.
  20. Explain the considerations involved in evolving a balanced capital structure of a corporation. (OR) Define Optimum Capital Structure. Explain the factors influencing capital structure of a firm.
  21. What are the various factors affecting dividend policy of a company? Explain. (OR) As a finance manager of the firm, what are all the factors to be considered for devising a dividend policy of the firm.
  22. Distinguish between Over Capitalization, Under Capitalization and Fair Capitalization. (OR) What are the causes and remedies for over capitalization and under capitalization?
  23. What is financial leverage? What are various types of financial leverages? Distinguish between operating leverage
  24. What is EBIT-EPS analysis? Illustrate. (OR) Define capital structure. Explain EBIT-EPS analysis.
  25. Explain in detail the impact of financial leverage on "earning per share".
  26. What is indifferent point? Explain its usefulness.
  27. Discuss the factors determining working capital.
  28. Mention the different sources of short-term finance (OR) What are various sources of working capital for a firm?
  29. Explain the importance and scope of accounts receivable management. (OR) What is credit policy? Explain the process of Credit management. (OR) Explain the objectives of credit policy. What is optimum credit policy?

30. What is cash management? What are the motives of holding cash? Explain any two theories of cash management?
31. What is float in cash management? Explain the different kinds of floats in cash management.
32. Explain various methods of inventory control. (OR) Write note on inventory management and its impact on working capital.
33. Bring out the relationship of term financing with the capital market.
34. Discuss the various sources of long-term finance of Indian companies
35. Explain the difference between hire purchasing and leasing.
36. Explain the concept of venture capital & the current scenario of venture capital in India. (OR) Venture capital is a non banking finance company – discuss. (OR) Briefly trace the development of venture capital in India.
37. Explain & contrast the concept of factoring & forfeiting.
38. What are the functions of Indian capital and stock market? Explain briefly. (OR) Discuss the structure of the Indian Capital market (8) (OR) Explain the features of the Indian Capital market, stock market & New Issues market
39. Explain the various kinds of Equity shares and Preference shares in raising the financial resources of the firm.
40. What is leasing? Explain the different kinds of leasing. Discuss "Is leasing as either investment or financing decision of the firm".