FINANCIAL MANAGEMENT

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Short Description

FINANCIAL MANAGEMENT

case study

Description

Part one:

Multiple choices:

1. **The approach focused mainly on the financial problems of corporate enterprise**
2. **Ignored non-corporate enterprise**
3. **Ignored working capital financing**
4. **External approach**
5. **Ignored routine problems**

2. **These are those shares, which can be redeemed or repaid to the holders after a lapse of the stipulated period**
3. **Cumulative preference shares**
4. **Non-cumulative preference shares**
5. **Redeemable preference shares**
6. **Perpetual shares**

3. **This type of risk arise from changes in environmental regulations, zoning requirements, fees,licenses and most frequently taxes**
4. **Political risk**
5. **Domestic risk**
6. **International risk**
7. **Industry risk**

4. **It is the cost of capital that is expected to raise funds to finance a capital budget or investment proposal**
5. **Future cost**
6. **Specific cost**
7. **Spot cost**
8. **Book cost**

5. **This concept is helpful in formulating a sound & economical capital structure for a firm**
6. **Financial performance appraisal**

7. **Investment evaluation**
8. **Designing optimal corporate capital structure**
9. **None**

6. **It is the minimum required rate of return needed to justify the use of capital**
7. **From investors**
8. **Firms point**
9. **Capital expenditure point**
10. **Cost of capital**

7. **It arises when there is a conflict of interest among owners, debenture holders and the management**
8. **Seasonal variation**
9. **Degree of competition**
10. **Industry life cycle**
11. **Agency costs**
12. **Some guidelines on shares & debentures issued by the government that are very important for the constitution of the capital structure are**
13. **Legal requirement**
14. **Purpose of finance**
15. **Period of finance**
16. **Requirement of investors**

9. **It is that portion of an investments total risk that results from change in the**

financial integrity of the investment

10. **Bull- bear market risk**
11. **Default risk**
12. **International risk**
13. **Liquidity risk**

10. **_____________ measure the systematic risk of a security that cannot be avoided through diversification**
11. **Beta**
12. **Gamma**
13. **Probability distribution**
14. **Alpha**

Part Two:

1. **What is Annuity kind of cash flow?**
2. **What do understand by Portfolio risk?**
3. **What do you understand by ‘Loan Amortization’?**
4. **What is the Difference between NPV and IRR?**

Case let 1

Question:

1. **Which type of financing is appropriate to each firm?**
2. **What types of securities must be issued by a firm which is on the growing stage in order to meet the financial requirements?**

Case let 2

Question:

1. **How would you judge the potential profit of Bajaj Electronics on the first year of sales to Booth Plastics and give your views to increase the profit.**
2. **Suggestion regarding Credit limit. Should it be approved or not, what should be the amount of credit limit that electronics give to Booth Plastics.**

Section C: Applied Theory (30 marks)

1. **Honey Well Company is contemplating to liberalize its collection effort. Its present sales are Rs. 10 lakh, its average collection period is 30 days, its expected variable cost to sales ratio is 85 per cent and its bad debt ratio is 5 per cent. The Company’s cost of capital is 10 per cent and tax are is 40 per cent. He proposed liberalization in collection effort increase sales to Rs. 12 lakh increases average collection period by 15 days, and increases the bad debt ratio to 7 percent. Determine the change in net profit.**

2. **Explain the concept of working capital. What are the factors which influence the working capital?**

Details
1. Case study solved answers

2. pdf/word

3. Fully Solved with answers