

Roll No. ....

Total No. of Pages : 2

<b>Exam Code</b>
2592

**MMS/M11**  
**Financial Management**  
**Paper : CP-204**

6804

Time : Three Hours]

[Maximum Marks : 70

Note :- Attempt FIVE questions in all. Q. no. 1 is compulsory. All questions carry equal marks.

- Define finance and functions of finance.
  - How finance function is organised in a firm ?
  - How risk and return is analysed ?
  - Discuss the need and importance of Capital budgeting.
  - How Cost of Capital influence the formation of a Capital structure ?
  - What are the tools of cash planning ?
  - What are the different patterns of dividend policies ?
- "The basic rationale for the objective of shareholders' wealth maximisation is that it reflects the most efficient use of society's economic resources and thus leads to a maximisation of society's economic wealth" (Ezra Soloman). Comment critically.
- A company is considering to purchase a machine. Two machines are available X and Y each costing Rs. 5,00,000/-. Earnings after taxation are expected to be as follows :

Cash flow

Year	Machine X	Machine Y
1	Rs. 1,50,000	Rs. 50,000
2	Rs. 2,00,000	Rs. 1,50,000
3	Rs. 2,25,000	Rs. 2,00,000
4	Rs. 1,15,000	Rs. 3,00,000
5	Rs. 1,00,000	Rs. 2,00,000

Evaluate the two alternatives according to :

- The payback period method
- Accounting Rate of Return method
- Net present value method (cost of capital @ 10%)

Note :- (PV Factor @ 10% is .909, .826, .751, .683, .621)

- Explain the concept of 'Cost of Capital'. How cost of different sources of capital is measured ? Illustrate and explain.
- What is an optimal capital structure ? Why a company prefers to devise an optimal capital structure ?
- What management problems are involved in the planning and control of cash ? Explain the various tools of cash planning and control.
- What are the essentials of Gordon's model of dividend effect ? Does dividend policy affect the value of the firm under Gordon's model ?
- Write detailed note on Financial Modeling.