



## SECTION-B

### UNIT-I

2. Discuss the meaning, nature and scope of financial management.
3. "A rational human being has a time preference for money." What are the reasons for such preference and illustrate with suitable examples?

### UNIT-II

4. What do you understand by the term 'Leverage'? How does it affect the profits of a firm? Compare the nature of financial leverage with operating leverage.
5. The following is the capital structure of XYZ ltd.

Source	Amount Rs.	Interest rate / Dividend
Equity share capital	25,000	11%
Preference share capital	20,000	10%
Retained earnings	10,000	8%
Debentures	20,000	10%

Tax rate is 50%. Calculate the overall cost of capital.

### UNIT-III

6. A company is considering an investment proposal that has the following cash flows:

Projects	C <sub>0</sub>	C <sub>1</sub>	C <sub>2</sub>	C <sub>3</sub>
A	-10,000	10,000		
B	-10,000	17,500	7,500	
C	-10,000	2,000	4,000	12,000
D	-10,000	10,000	3,000	13,000

YEAR	PV (10%)	PV (30%)
1	.909	.769
2	.826	.592
3	.751	.455

Rank the projects according to:

- a) ARR method
- b) NPV method

7. Discuss the following two methods of capital budgeting:

- a) Profitability Index
- b) Accounting rate of return.

#### UNIT-IV

- 8. What is the significance of working capital? What are the different approaches to working capital management?
- 9. Critically evaluate the theories of relevance of dividends.

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