

- (vii) Select the correct option that illustrates that the shareholders wealth increases with the increase in ____
- a) EPS
b) Market value of the firm
c) Dividend & market value of the firm
d) Market price of the equity share
- (viii) Cost of capital refers to _____. Select the correct option.
- a) Weighted Average cost of all debts
b) Minimum Rate of Return that the firm should earn.
c) Average IRR of the Projects of the firm
d) Rate of Return expected by Equity Shareholders
- (ix) Select from the following an example of Derivative Security.
- a) A common share of general Motors
b) A call option of Mobile stock
c) A commodities futures market
d) B and C
- (x) Indicate the specific trading post assigned to Exchange member.
- a) Commission broker
b) Floor trader
c) Specialist
d) Dealer
- (xi) A project whose cash flows are more than capital invested for a rate of return conclude the net present value will be _____. Select the correct option.
- a) positive
b) independent
c) negative
d) zero
- (xii) Indicate that Net present value is popular method which falls under
- a) Non-discount cash flow method
b) Discount cash flow method
c) Equal within non discount cash flow method
d) No discount cash flow
- (xiii) Complete the sentence - Greater the size of business units..... will be the requirements of working capital
- a) larger
b) lower
c) No change
d) fixed
- (xiv) Debt-to-total assets (D/TA) ratio is .4. Calculate its debt-to-equity (D/E) ratio?
- a) 0.2
b) 0.6
c) 0.667
d) 0.333
- (xv) The price of the share of Annu Ltd is Rs. 80, and the value of growth opportunities is Rs. 20. If the capitalization of Annu Ltd is 15%, compute is the earning - price ratio?
- a) 0.1125
b) 0.1355
c) 0.1415
d) 0.1045

Group-B

(Short Answer Type Questions)

3 x 5=15

2. Define the term 'temporary working capital? (3)
3. Define the term 'Capital Budgeting'. (3)
4. Explain how the risk of a security be calculated. (3)
5. Explain the dangers of excessive working capital? (3)
6. Justify the significance of Diversification. (3)

OR

- Summarize transaction motive. (3)

Group-C

(Long Answer Type Questions)

5 x 6=30

7. Discover and write brief note about financing decision (5)
8. Critically examine the objectives of capital budgeting. (5)
9. 'The credit policy of a company is criticized because the bad-debt losses have increased considerably and the collection period has also increased.' Justify this criticism. (5)
10. Illustrate the calculation of cost of equity using CAPM. (5)
11. Analyze the concept of leverage and its significance in financial management. (5)
12. Evaluate the advantages and disadvantages of using leverage in financial management. (5)

OR

Analyze the relationship between leverage and risk in financial management. (5)
