**MBA (TRAVEL AND TOURISM)**

**Semester II**

**MBA 528 MANAGEMENT OF FINANCIAL RESOURCES**

**Part A. Short Answer Questions (5 Marks)**

1. Define Financial Management.
2. Explain the scope of Financial Management.
3. What is wealth maximisation?
4. Distinguish between profit maximisation and wealth maximisation.
5. State the objectives of Financial Management.
6. What is time value of money?
7. What is compounding?
8. What is discounting?
9. State any two techniques of capital budgeting.
10. What is NPV?
11. What is IRR?
12. What is payback period?
13. Explain profitability index.
14. Define cost of capital.
15. What is explicit cost?
16. What is implicit cost?
17. Define cost of debt.
18. Define cost of equity.
19. Define weighted average cost of capital (WACC).
20. What is capital structure?
21. Define optimum capital structure.
22. State any two determinants of capital structure.
23. What is financial leverage?
24. Define operating leverage.
25. Define combined leverage.
26. What is working capital?
27. Distinguish between gross and net working capital.
28. What is permanent working capital?
29. What is variable working capital?
30. What is cash management?
31. State any two motives for holding cash.
32. Define receivables management.
33. What is inventory management?
34. Explain EOQ in brief.
35. What is dividend policy?
36. Define stable dividend policy.
37. What is Walter’s model?
38. What is Gordon’s model?
39. What is MM Hypothesis?
40. What is corporate governance?
41. What is agency problem?
42. Define shareholder value.
43. State any two recent trends in FM.
44. What is financial planning?
45. What is over-capitalisation?
46. What is under-capitalisation?
47. State any two limitations of FM.
48. What is hedging approach in working capital?
49. What is conservative approach in working capital?
50. What is aggressive approach in working capital?
51. Find the future value of ₹10,000 invested for 3 years at 10% p.a. simple interest.
52. Calculate present value of ₹5,000 to be received after 5 years at 8% discount rate.
53. Compute Net Present Value (NPV) for a project costing ₹50,000 with expected cash inflow of ₹20,000 per year for 3 years. Discount rate is 10%.
54. Calculate Cost of Equity if Dividend is ₹5 per share, Market Price is ₹50 and Growth Rate is 5%.
55. Find Weighted Average Cost of Capital (WACC) if a company has ₹1,00,000 equity at 12% and ₹50,000 debt at 8%.
56. Calculate Degree of Operating Leverage (DOL): Sales ₹1,00,000; Variable Cost ₹60,000; Fixed Cost ₹20,000.
57. Compute Break-Even Point: Fixed Cost ₹40,000; Selling Price per unit ₹50; Variable Cost per unit ₹30.
58. Find Payback Period: Initial Investment ₹60,000; Annual Cash Inflow ₹15,000.
59. Calculate Net Working Capital: Current Assets ₹2,00,000; Current Liabilities ₹1,20,000.
60. Find Dividend Payout Ratio if Net Profit is ₹1,00,000 and Dividend Paid is ₹40,000.

**Part B. Essay / Problem / Application Questions (10 Marks)**

1. Discuss the objectives and functions of Financial Management.
2. Explain the role of a finance manager in a modern business.
3. Discuss the scope and importance of Financial Management.
4. Explain the concept of time value of money with examples.
5. Distinguish between compounding and discounting techniques.
6. Discuss the significance of cost of capital in financial decisions.
7. Explain the computation of cost of equity capital.
8. Explain the computation of cost of debt capital.
9. Explain how to compute weighted average cost of capital (WACC).
10. Discuss the factors determining capital structure.
11. Explain the different theories of capital structure.
12. Distinguish between operating leverage and financial leverage.
13. Explain the concept of combined leverage with example.
14. Discuss the importance of capital budgeting.
15. Explain any three techniques of capital budgeting.
16. What are the advantages and limitations of NPV method?
17. Explain the IRR method with merits and demerits.
18. What is payback period method? State its merits and demerits.
19. Explain profitability index with example.
20. What are the factors affecting working capital requirements?
21. Discuss the different types of working capital.
22. Explain the various sources of working capital finance.
23. Discuss the objectives of cash management.
24. Explain the cash management techniques.
25. Discuss the process of receivables management.
26. Explain the objectives and techniques of inventory management.
27. Discuss the EOQ model with assumptions.
28. What is ABC analysis? How is it used in inventory control?
29. Explain the significance of dividend policy.
30. Discuss the factors affecting dividend policy.
31. Explain Walter’s dividend model with assumptions.
32. Explain Gordon’s dividend model with assumptions.
33. Discuss MM approach to dividend irrelevance theory.
34. Explain agency problems and how they affect shareholder wealth.
35. Discuss the importance of corporate governance in FM.
36. Explain the concept of shareholder value maximisation.
37. What are the emerging trends in financial management?
38. Explain the concept of financial planning and its steps.
39. Distinguish between over-capitalisation and under-capitalisation.
40. Explain hedging, conservative and aggressive approaches to working capital financing.
41. Discuss the functions of finance manager in capital structure planning.
42. Explain EBIT-EPS analysis for capital structure decision.
43. What is financial risk? How does it arise?
44. Explain the role of credit policy in receivables management.
45. Explain cash budget and its importance.
46. Discuss any two techniques of cash management.
47. Explain working capital cycle with a diagram.
48. Discuss the relationship between cost of capital and capital structure.
49. Explain any three methods of evaluating capital investment proposals.
50. Discuss the relevance of dividend policy in modern financial management.
51. A company issues ₹1,00,000 10% Debentures at par. Calculate Cost of Debt if tax rate is 30%.Also calculate after-tax cost.
52. A firm has the following capital structure:

Equity ₹4,00,000 @ 15%

Debt ₹2,00,000 @ 10%

Preference Share ₹1,00,000 @ 12%

1. Calculate WACC.
2. Compute Present Value of ₹50,000 receivable 5 years from now if discount rate is 10%.
3. Also find Future Value if invested today.
4. Calculate NPV and IRR for a project:

Initial Outlay ₹1,00,000

Cash Inflows: Year 1 ₹30,000, Year 2 ₹40,000, Year 3 ₹50,000

1. Discount rate: 10%
2. A project costs ₹2,00,000 and generates annual cash inflow of ₹50,000 for 6 years.

Find Payback Period

Find Profitability Index at 12% discount rate

1. A company has sales ₹5,00,000; Cost of Goods Sold ₹3,00,000; Debtors ₹50,000.
2. Calculate Debtors Turnover Ratio and Average Collection Period.
3. Compute Operating, Financial and Combined Leverage:

Sales ₹10,00,000; Variable Cost ₹6,00,000; Fixed Cost ₹2,00,000; Interest ₹50,000.

1. From the given data, estimate Working Capital requirement:

Expected Sales: 12,000 units @ ₹100 each

Raw Material Cost per unit: ₹30

Wages per unit: ₹20

Overheads per unit: ₹10

Raw material in stock: 1 month

Work-in-progress: ½ month

Finished goods in stock: 1 month

Debtors: 1 month

Creditors: 1 month credit for raw material

1. A company’s Dividend per share is ₹4, Market Price is ₹40, Growth rate is 5%. Calculate Cost of Equity using Gordon’s Model.
2. Compute the value of a firm under Walter’s Dividend Model:

Earnings per share ₹8, Dividend per share ₹4, Return on Investment 12%, Cost of Equity 10%.

1. Calculate EOQ:

Annual usage: 5,000 units; Ordering Cost per order ₹100; Carrying Cost per unit ₹2.

1. A firm expects the following cash flows:

 Year 1: ₹30,000; Year 2: ₹40,000; Year 3: ₹50,000. Discount Rate 10%.

 Find NPV & IRR if Initial Investment is ₹1,00,000.

 Compute Internal Rate of Return:

 Initial Outlay ₹60,000; Annual Cash Inflow ₹20,000 for 4 years.

1. From the given info, prepare Cash Budget for 2 months:

 Estimated Sales: Jan ₹50,000, Feb ₹60,000

 50% cash sales, 50% one month credit

 Purchases: Jan ₹30,000, Feb ₹35,000 (paid next month)

 Wages: Jan ₹5,000, Feb ₹6,000

1. Calculate Receivables Turnover and Average Collection Period:

 Credit Sales ₹3,60,000; Debtors ₹60,000.