FINANCIAL MANAGEMENT

Q1. Why is finance required in every business organization?

Q2. What is the concern of financial management.

Q3. Give the aim of Financial Management?

Q4.How can we say that Financial management directly effects the financial wealth of business ?

Q5. Why do we say that finance decision are always undertaken for shareholders viewpoint

Q6. Explain Value addition w.r.t. objective of financial management?

Q7. Give the three main financial decision of a finance manager?

Q8. Identify the financial decision involved and give any two factors affecting each.

- **a) Quantum of finance to be raise from various long term resources. (Financing).**
- **b) Distribution of profits. (Dividend)**
- **c) Use of financial resources (Investment)**

Q9. Why capital budgeting decision is crucial for every business organization?

Q10. ABC Co. Ltd. has decided to diversify and has 3 investment projects. Advice the finance manager if project A,B,C involved some risk but the rate of return is 10%, 11% and 12% respectively.

Q11. If an investment decision involves huge investments but heavy cash inflows should it be taken?

Q12. What is financial risk?

Q13. Which has more F.R. Debentures or equity with reasons.

Q14.On what does Financial risks depends upon? Proportion of debt in total capital.

Q15. What determines the overall risk and profit of organization.

Q16. How will the finance decision vary if:

- **a) Risk with the source is high.**
- **b) Capital market is depressed.**
- **c) Higher operating cost**
- **d) Higher floatation cost**
- **e) Cost of raising fund is low.**

f) The management do not want any dilution of control debt.
g) A stronger cash flow position.

Q17. Why dividend decision is crucial for objective of financial management?

Q18. How will dividend policy of Finance Manager vary when :-

a) Earnings are low and dividend .
b) High growth opportunities for company.
c) Earnings are stable.
d) Company wants a stable dividend policy.
e) Shareholders wish for regular income from investments.
f) Tax rate on dividend is lower.
g) The company wants a positive develop.
h) A small company not much known in capital market.

Q19. Can a company be profitable and still short of cash ? Give reasons.

Q20. What is the objective of Financial Planning?

Q21. What is the aim of Financial Planning?

Q22. How budgets are an example of Financial Planning. Explain with an example.

Q23. The management of well known company is against Financial Planning as future is uncertain. Guide the company Financial manager?

Q24. How can too much debt can strangled our business. Explain.

Q25. What are the two sources of Finance?

Q26. How debt and equity differ significantly?

Q27. Why debt is cheaper but risky for a business?

Q28. How capital structure of a business effect both the profitability and the Financial risks?

Q29. Why a company has a cash payment obligation?

Q30. What is favorable financial leverage . Explain with an example?

Q31. Is it possible that a company has a high EBIT but low cash balance? Why?

Q32.What is indicated by a higher DSCR?

Q33. When do we say that a company has an capital structure?

Q34. Explain "Debt requires regular security".

Q35. Who funds Indian industry? (Debt or equity).

Q36. If the ROI of a company is higher, should it use " Trade on equity", concept to maximise shareholders wealth?

Q37. Why debt cannot be used beyond a certain point and up to certain point and only up to certain level?

Q38. What is business risk. How it differs from financial risks?

Q39. In a bearish market should company go for higher debt or equity. Give reasons.

Q40. Comment upon the requirement of fixed capital with reasons:

- **a) A Trading Company.**
- **b) Availability of leasing facilities.**
- **c) A computer assembling organization.**
- **d) Construction industry.**
- **e) A readymade garment showroom.**
- **f) A diversification company.**

Q41. What will be the working capital required if :-

- **a) A higher inflation rate of 10%**
- **b) A transport business.**
- **c) A soft drink company with a high competition from MNC?**
- **d) A liberal credit policy followers by the concerned.**
- **e) A fertilizer manufacturing unit with a longer processing cycle.**
- **f) Before the Diwali festival**
- **g) The company has a higher inventory turnover ratio.**
- **h) The raw materials are available uninterrupted.**