



Printed Pages : 3

BHMCT – 606

(Following Paper ID and Roll No. to be filled in your Answer Book)

**PAPER ID : 7475**

Roll No.

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**B. H. M. C. T.**

**(SEM. VI) EXAMINATION, 2006-07**

**FINANCIAL MANAGEMENT**

*Time : 3 Hours]*

*[Total Marks : 100*

*Note : Attempt **all** questions.*

**1** Attempt any **four** questions of the following : **5×4=20**

- (a) Explain the three key activities of the financial manager.
- (b) Discuss the concept of wealth maximization.
- (c) What is modern approach to financial management?
- (d) What is the relevance of economics to financial management?
- (e) Explain the relationship between finance and accounting.
- (f) Explain in brief the relationship between financial management and supportive disciplines.

**2** Attempt any **four** questions of the following: **6×4=24**

- (a) An executive is about to retire at the age of 60. His employer has offered him two post-retirement options: (a) Rs. 10,00,000 (b) Rs. 1,50,000 for ten years. Assuming 10 per cent interest, which is a better option?

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**1**

**[Contd...**

- (b) Explain the Average Rate of Return technique of capital budgeting.
- (c) When pay back method of capital budgeting is applied?
- (d) Differentiate between NPV and IRR methods of capital budgeting.
- (e) How profitability index is calculated? Explain with example.
- (f) Explain difficulties of capital budgeting.

**3** Attempt any **two** of the following questions : **12×2=24**

- (a) Differentiate between explicit and implicit costs.
- (b) How is cost of debt measured? Explain with example.
- (c) How cost of redeemable preference capital is measured? Explain with example.

**4** Attempt any **two** of the following questions : **8×2=16**

- (a) What type of risk is each leverage associated? Why is increasing leverage also indicative of increasing risk?
- (b) What is over-capitalization? What are the remedies for over-capitalization?
- (c) What is the indifference point and why is it so called? What is its usefulness?

**5** Attempt any **four** of the following questions : **4×4=16**

- (a) Differentiate between production cycle and operating cycle.

- (b) Working capital management deals with decisions regarding the appropriate mix and level of current assets and current liabilities. Explain.
  - (c) Discuss the utility of cash budget as a tool of cash management.
  - (d) What are the collection policies? How can they be evaluated?
  - (e) What is meant by credit terms? How are they designed?
  - (f) What are the objectives of inventory management?
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