

00708

EXECUTIVE MBA
(EXMBA)

Term-End Examination
December, 2011

MCT-059 : FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions.

All questions carry equal marks.

1. "Maximising the value of the company to its shareholders is consistent with the company exercising considerable social responsibilities." Discuss.
2. What is the relationship of total leverage to total risk ? How each of these is related to the firm's total breakeven point and over-all risk-return trade-off ? How does one measure the degree of total leverage ?
3. A philosopher once stated that a "bird in hand is worth two in the bush." Does this statement relate to the time value of money ? Why is it necessary to rank investment alternatives and what are the problems inherent in this approach ?

4. The weighted average cost of capital may be computed using book value or market weights. Briefly describe how each set of weights is calculated. Compare the advantages and disadvantages of using book value weights rather than market weights in calculating the firm's weighted average cost of capital.
 5. Critically examine the Modigliani- Miller approach to capital structure.
 6. What is the separation principle? Why has this principle been important in capital budgeting ? What are the main exceptions to this principle?
 7. What is clientele effect ? Is the clientele effect inconsistent with the abstract concept of the irrelevance of a dividend policy ?
 8. Define and contrast the terms *working capital* and *net working capital*. Why does the typical firm need to make investments in working capital ? How are the objectives of cash management and inventory management similar ?
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