

**EXECUTIVE MBA
(EXMBA)**

Term-End Examination

June, 2011

MCT-059 : FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

Note : Answer any five questions.

All questions carry equal marks.

1. How can a finance manager influence the magnitude, timing, and risk of the cash flow expected to be generated by the firm in order to maximize the shareholders wealth ?

2. Why is no single working capital investment and financing policy necessarily optimal for all firms ? What additional factors need to be considered in establishing a working capital policy ?

3. Why is capital budgeting decision such an important process ? Why are capital budgeting errors so costly ?

4. How does dividend policy relate to management responsibility to maximize the wealth of the firm's shareholders in the long run ? What do Modigliani-Miller say about the effect of dividends on stock price ?
 5. Discuss the concept of weighted- average- cost of capital (WACC). Why must dividend payments be included in the analysis in order to calculate a firm's cost of capital ?
 6. Integrate the financial leverage approach with the following approaches to capital structure :
 - (a) Net income
 - (b) Net operating income
 7. Define the degree of combined leverage (DCL) and explain how DCL depends on operating and financial leverage.
 8. Describe the advantages and disadvantages of non- discounted and discounted capital budgeting methods.
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