

- (b) What is the Modigliani-Miller (M.M.) dividend irrelevance theory, and how does it challenge traditional thinking about the relationship between dividend policy and firm value? (7.5)

December-2023

BBA (GEN) IIIrd SEMESTER

Financial Management (BBA-G-303)

Time: 3 Hours] [Max. Marks : 75

- Instructions :*
1. It is compulsory to answer all the questions (1.5 marks each) of Part-A in short.
 2. Answer any four questions from Part-B in detail.
 3. Different sub-parts of a question are to be attempted adjacent to each other.

PART-A

1. (a) How might the objectives of financial management vary between different types of organizations, such as a for-profit corporation, a non-profit organization, or a government agency? (1.5)
- (b) Define the concept of the time value of money (TVM). Why is it important in financial decision-making? (1.5)
- (c) How does a company's cost of capital influence its capital budgeting decisions? (1.5)

- (d) How traditional and modern theories of objectives of business are different from each other? (1.5)
- (e) Can you explain any one method used to estimate the need for working capital in a company? (1.5)
- (f) How can a company's earnings stability impact its dividend payout ratio? (1.5)
- (g) What is the concept of capital structure in finance? (1.5)
- (h) Why capital structure is important for a company's financial management? (1.5)
- (i) What are the key determinants that influence a company's dividend policy decisions? (1.5)
- (j) How do taxes influence a company's capital structure decisions according to various capital structure theories? (1.5)

PART-B

- 2. What is the scope of financial management? Can you outline the key functions performed by financial managers within an organization? How do these functions contribute to the overall success of the company? (15)
- 3. (a) Explain the primary objectives of financial management. How do these objectives align with the broader goals of a company? (7.5)
- (b) Can you provide examples of financial instruments or mechanisms commonly used to raise long-term capital, such as bonds, equity shares, or bankloans? (7.5)

- 4. (a) Provide a brief introduction to the concept of the cost of capital. Why is it important for businesses to determine their cost of capital accurately? (7.5)
- (b) Compare and contrast the traditional view and the modern view of capital structure. What are the key differences and criticisms associated with these views? (7.5)
- 5. (a) What is the Payback Period (PBP) method, and how does it help assess the risk associated with an investment project? (5)
- (b) Discuss the Net Present Value (NPV) method and its interpretation. How does it account for the time value of money in investment decisions? (5)
- (c) Define the Internal Rate of Return (IRR) as a capital budgeting method. What does the IRR represent, and how is it used to evaluate projects? (5)
- 6. (a) Define working capital and its importance for a business. How does it differ from fixed capital? (5)
- (b) Discuss the factors that determine a company's need for working capital. How do industry dynamics and business cycles affect working capital requirements? (10)
- 7. (a) Explain the Walter model of dividend policy. How does it help in determining the optimal dividend payout ratio for a firm? (7.5)