

MAY 2012

P/ID 37521/PBEE

Time : Three hours

Maximum : 80 marks

PART A — (5 × 5 = 25 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Give the meaning, definition and scope of financial management.
2. How far you agree that dividends are irrelevant for the value of the firm?
3. State the merits of net present value method.
4. What are the advantages of Gordon model?
5. What are the reasons and motives for merger?
6. What are the exit rates available for venture capital?
7. What are the features of operating lease?
8. How do the money market hedge can be used to cover the foreign exchange risk?

PART B — (4 × 10 = 40 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. “The underlying assumptions of the irrelevance theorem of MM model are its short-comings” – Critically examine the statement.
10. Write a brief note on SEBI regulations as to “Hostile takeovers” and “bailout take overs”.
11. What is underwriting of capital issues? What are the classes of underwriting?
12. Discuss the relationship between exchange rates, interest rates and inflation rates.
13. How does the cash flows to a multinational firm are different from that of a domestic firm?
14. Critically examine the recommendations of L.C. Gupta Committee on derivatives.

PART C — (15 marks)

Compulsory

15. The Chairman of a rubber company stated “we don’t adjust our capital budgeting calculations for inflation because the price and cost of the product increase by the same rate” – Critically examine this statement.