ECGS EDUCATION

MMPF-002: Capital Investment and Financing Decisions

1. Discuss the concept of capital budgeting. Why is it important in financial decision-making?

2. Explain the Net Present Value (NPV) and Internal Rate of Return (IRR) methods. Which is better and why?

3. Differentiate between financial and operating leverage. How do they impact a firm's risk and return?

4. What are the main sources of long-term finance? Explain with examples.

5. Explain the Modigliani and Miller (M-M) theory of capital structure under no-tax and tax scenarios.

6. What are the determinants of a firm's dividend policy?

7. Compare and contrast Walter's Model and Gordon's Model of dividend relevance.

8. Discuss the advantages and disadvantages of debt financing over equity financing.

9. What is the significance of the cost of capital in investment decisions? How is Weighted Average Cost of Capital (WACC) calculated?

10. What do you understand by Capital Rationing? How is it handled in practice?

11. Explain how risk and uncertainty are incorporated into capital budgeting decisions.

12. Distinguish between lease financing and hire purchase. What are the financial implications for the lessee?

13. Write short notes on: (a) Floatation costs, (b) Business risk, (c) Financial distress.

14. Explain the concept of Economic Value Added (EVA). How is it calculated?

15. Discuss the factors affecting the capital structure decisions of a firm.