

Chapter: 9 (Financial Management)



1. State whether the working capital requirement will be more or less in following cases

1. If lead time for raw material is less
2. If liberal credit is allowed by suppliers
3. If Growth prospects of business are very high
4. A firm deals in manufacturing of Sugar
5. A firm deals in manufacturing of Bread
6. A firm deals in manufacturing of automobiles
7. If firm is facing depression period
8. If there is uninterrupted supply of raw material
9. If stock and debtors turnover ratio is low
10. When firm is facing high degree of competition
11. When credit terms allowed by firm are very strict
12. When there is inflation in economy

MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS
MORE	LESS

2. Will firm prefer Debt or Equity in following cases?

1. If a business has high level of fixed operating costs
2. Companies afraid of a takeover bid
3. During the period when stock market is rising
4. Source which is the cheapest
5. Source where risk associated is less
6. A stronger cash flow position
7. If ICR is more
8. If DSCR is less
9. If ROI is more than Interest rate on debt
10. Firm wants to maintain flexibility in capital structure
11. If tax rate is high and firm wants to save tax
12. If the stock markets are bearish
13. Firm is not having any money to bear High floatation cost

DEBT	EQUITY
DEBT	EQUITY
DEBT	EQUITY
DEBT	EQUITY
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