

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

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

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