

[Time: 2.30 Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All questions carry equal marks.
 2. Use simple calculator.

Q1) A. Multiple choice question. (Any 8)

(8 M)

- a. Financial planning is based on _____ (forecasts, contingency, flexibility)
- b. In India, there are _____ forms of capital structure popular and in practice. (four, three, two)
- c. _____ sense includes share capital, reserves and debts. (narrow, broad, warranted)
- d. Stamp duty loan is a type of _____ loan. (education, gold, home)
- e. Workmen compensation fund is an example of _____ reserve. (specific, secret, general)
- f. High promotion cost is the cause of _____. (overcapitalization, normal capitalization, undercapitalization)
- g. Working capital requirement is an example of _____ plan. (long term, medium term, short term)
- h. _____ refers to ability to withdraw more money than what is deposited. (bill discounting, bank overdraft limits, term loans)
- i. _____ shares are those shares which carry certain special or priority rights. (equity, preference, bonus)
- j. NOI stands for _____ approach. (new operating income, net operating inflows, net operating income)

Q1) B. State whether the following is true or false. (Any 7)

(7 M)

- a. Determination of estimated life is difficult to ascertain.
- b. Bank loans can be used for short- term as well as medium- term financing.
- c. Due to low profitability, reputation of company is lowered.
- d. Business risk is one of the criteria for determining capital structure.
- e. Adequate funds have to be ensured for smooth operations of an enterprise.
- f. Financial management is not at all related with human resource management.
- g. It is not important to maintain a liquidity position for a firm.
- h. Sweat shares are a type of preference share.
- i. Debenture holders are the owners of the company.
- j. Profit on sale of fixed assets is not an example of capital reserves.

Q2) A. What is financial management? Explain its functions.

(8 M)

B. What is financial planning? Enumerate and explain the basic considerations of financial planning?

(7 M)

OR

Q2) Explain the importance of financial planning and also the steps involved in making a financial plan. (15 M)

Q3) A. Explain the factors determining capital structure. (8 M)

B. What is under- capitalization? Explain its causes. (7 M)

OR

Q3) A. What is meant by over- capitalization? Explain its effects. (8 M)

B. Distinguish between owned fund and owed fund. (7M)

Also calculate, the value of owned and owed fund from the following information.

Particulars	Rs.
Equity share capital	8,00,000
8 % Preference share capital	1,00,000
9% Bank loan	3,00,000
5 % Debentures	2,00,000
Retained earning	4,00,000
Total	18,00,000

Q4) A. Explain the advantages and disadvantages of debentures. (8 M)

B. What are the different types of preference shares? (7 M)

OR

Q4) A. Explain the types of reserves in detail. (8 M)

B. M/s. Ganesha Ltd. Has a share capital of Rs. 2,00,000 divided into 20,000 equity shares of Rs. 10 each fully paid. The company is planning to expand its business and thus requires further investment of Rs. 1,00,000. The management is having the below three alternatives. (7 M)

- i) Issue of 10,000 equity shares of Rs. 10 each.
- ii) Issue of 10,000, 10 % preference shares of Rs. 10 each.
- iii) Issue of 8% debentures of Rs. 1,00,000.

Current EBIT are Rs. 4,00,000. Calculate the effect of each of the above modes of financing on EPS, assuming tax rate @ 50%.

Q5) A. What are bonus shares and explain its merits and demerits. (8 M)

B. Explain the various types of bank loans offered by banks in India. (7 M)

OR

Q5) Short notes. (any 3) (15 M)

- a. Types of financial planning
- b. Provision for depreciation
- c. Equity shares
- d. Remedies of under- capitalization
- e. Role of a finance manager