Paper / Subject Code: 76603 / Principles of Finance.

Time: 2 ½ Hours **Marks :75**

N.B: 1) All questions are compulsory.
2) All questions carry 15 marks each.

Q 1) Objective Questions:-

a) State whether the following statements are True or False: - (Any 8) **(08 M)**

1) Finance decision is concerned with when, where and how funds can be acquired.
2) Financial Planning must be flexible and not rigid.
3) Shareholder's Funds synonymous term is proprietary Equity
4) EPS does not affect the capital structure decision
5) A firm's financial flexibility helps it arranging funds only in bad times.
6) In India, there are 4 forms of Capital Structure.
7) Firms employ only two types of capital
8) Narrow sense includes share capital, reserves and debt
9) Sweat Equity are issued for exceptional job for exceptional employees or directors of co. .
10) Secured debentures create a charge on the company.

b) Match the Following: - (Any 7) **(07 M)**

Column 'A'	Column 'B'
1. Personal Finance	**a)** Capitalisation of profits or reserves and surplus
2. Long term finance	**b)** Non cash item
3. Capital Budgeting	**c)** Type of Bank loan
4. David Durand	**d)** Right to fixed dividend
5. 90% equity & 10% debt	**e)** Over capitalisation
6. High promotional costs	**f)** Low geared company
7. Guaranteed preference shares	**g)** NI & NOI approach
8. Car loan	**h)** Investment decision
9. Depreciation	**i)** Fixed Assets
10. Bonus Shares	**j)** Saving and Investment of individuals
	k) Conservative dividend policy.

Q 2) a) What are the nature and scope of finance Functions? **(08 M)**
b) Explain the Functions of Financial Management. **(07 M)**

OR

Q 2) a) State the role of Finance Manager? **(08 M)**
b) Enumerate the steps in Financial Planning? **(07 M)**

(08 M)
Q 3) a) AB Co. needs 5,00,00,000 for the construction of a new plant. The following three financial plans are feasible:

1. The co. may issue 50,00,000 ordinary shares of Rs. 10 each.
2. The co. may issue 25,00,000 ordinary shares @ Rs. 10 and remaining amount may be collected by issue of 2,50,000. Debentures of Rs. 100 each bearing an 8% rate of Interest.
3. The co. may issue 25,00,000 ordinary shares @ Rs. 10 each and remaining amount as preference shares of Rs. 10 each bearing an 8% rate of Dividend.

If the expected EBIT, which the co. may earn is Rs. 40,00,000 then suggest which capital structure the co. should select. Assume tax rate to be 50%?

b) Explain the remedies of Over Capitalisation? **(07 M)**

OR

Q 3) a) Explain the criteria determining Capital Structure. **(08 M)**
b) What are the consequences of Undercapitalisation? **(07 M)**

Q 4) a) What are the types of External Source of Finance? **(08 M)**
b) Distinguish Between Equity Shares and Preference Shares. **(07 M)**

OR

Q 4) a) Explain Debentures and state there types? **(08 M)**
b) Explain briefly Borrowings from Banks? **(07 M)**

Q 5) a) Explain Capital Reserves with their advantages and disadvantages? **(08 M)**

b) Explain Provisions for Depreciation in detail? **(07 M)**

OR

Q 5) <u>Write Short Notes on</u>:- **(15 M)**

1. Objectives of Financial Planning.
2. Traditional views of Capital Structure.
3. Public Deposits.
4. Retained Earnings.
5. Treasury Function.
