(1)

Q.P. Code :- 57270

SYBA – Semester III - Commerce Paper II- Financial Management

Note: 1. All questions are compulsory.
2. figures to the right indicate full marks.

Q.1- Answer any two of the following. (20)

a. Explain in brief the meaning and role of financial management.

Some of the major scope of financial management are as follows: 1. Investment Decision 2. Financing Decision 3. Dividend Decision 4. Working Capital Decision.

b. Describe the features of financial management.

1. Forecasting Financial Requirements
2. Acquiring Necessary Capital
3. Investment Decision
4. Cash Management
5. Interrelation with Other Departments

c. State and explain the functions of financial management.

Definition: "Financial management is the operational activity of a business that is responsible for obtaining and effectively utilising the funds necessary for efficient operations."

Functions:

A) Executive functions-

1. Estimating total capital requirements
2. Coordinating finance operations with other operations
3. Financial control
4. Replanning
5. Investment decisions
6. Disposal of surplus
7. Managing cash flow
8. Deciding new sources of finance
9. Advising the top management

B) The routine functions-

1. Maintaining records
2. Preparation of statements
3. Cash planning and cash flow management
4. Credit management
5. Custodian
6. Financial information
7. Supervision

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Q.2. Answer any two of the following. (20)

a. Explain in brief the determinants of sound financial planning.

1. Ans. Simplicity
2. Planning foresight
3. Flexibility
4. Optimum use of funds
5. Provision for contingencies
6. Liquidity
7. Economy
8. Safety to investors
9. Balanced capitalisation
10. Objectivity
11. Attractive to investors
12. Realistic
13. Proper timing for collecting required capital

b. Discuss the meaning and objectives of financial planning.

1. Ans. To estimate total financial requirement.
2. To lay strong foundation
3. To indicate requirement
4. To indicate means of raising capital
5. To indicate rational ways of utilisation
6. To ensure success of promotion of an enterprise
7. To maintain growth of the enterprise

c. Define financial planning. Describe the importance of sound financial plan.

1. Ans. It plays a positive role
2. Brings stability and prosperity
3. Sound financial information
4. Precise estimation
5. Discipline and orderly functioning
6. Forecasting capital requirements
7. Sound financial foundation

Q.3. Answer any two of the following. (20)

a. Illustrate the determinants of a sound capital structure.

Capital structure is the specific mixture of long term debt and equity the firm uses to finance its operations.

1. Simplicity
2. Economy
3. Optimum use
4. Provision for contingencies
5. Clear objectives
6. Long term view
7. Proper balance
8. Safety
9. Retention of control
10. Flexibility
11. Profitability
12. Solvency
13. Control
14. Conservatism

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b. Define Capital Structure. State its features.

Capital structure is the specific mixture of long term debt and equity the firm uses to finance its operations.

1. Simplicity
2. Economy
3. Optimum use
4. Provision for contingencies
5. Clear objectives
6. Long term view
7. Proper balance
8. Safety
9. Retention of control
10. Flexibility
11. Profitability
12. Solvency
13. Control
14. Conservatism

c. Describe the sources of Long term capital.

1. Issue of shares
2. Issue of debentures
3. Long term loans
4. Public deposits
5. Bank credit
6. Loans from financial institutions

Q.4. Answer any two of the following. (20)

a. Distinguish between shares and debentures.

1.**Type** Shares are owned capital.Debenture are borrowed capital.
2.**Meaning** A share is a share in the shares capital of the company. A shares is the smallest denomination of the shares capital of company.A debenture is a bond of in debt ness under the common seal of the company.
3.**Status** A share is an ownership security.A debenture is creditor ship security.
4.**Income** Income on shares is dividend, it is depend upon the net profit of the company.Incomes on debentures are interest. It is paid every year whether the company earns profit or loss.
5.**Rank** Shares holders have the last rank in the repayment of capital.Debentures holders are paid before the payment to the share holders.
6.**Market Value** Market value of the shares keep changing as per the financial condition of the company.Market value of the debentures remains constant.
7.**Security offered** No security is offered for investing money in shares capital.Company can offer any asset as a security to debenture holders.
8.**Nature of finance** Share are suitable for long term finance.Debenture are suitable for short or medium term finance.

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b. Define preference capital? Discuss the different types of preference shares.

1. Cumulative and non-cumulative
2. Participative and non-participative
3. Redeemable and irredeemable
4. Convertible and non-convertible

c. Write a note on IPO

IPO is intial public offer, the offer made by the company for the first time to its investors, which is also an invitation to its investors.

Benefits of investing in IPO:

1. Face value of shares
2. Reasonable prices
3. Direct buying
4. Dividend
5. Capital gain
6. Limited liability
7. Exercise control
8. Claim over assets
9. Right shares
10. Bonus shares
11. Liquidity
12. Stock split

Q5. (A) Define the terms (any five). (10)

a. Equity shares
b. Dividend policy
c. Executive functions of financial management
d. Capitalisation
e. Forecasting
f. Utilisation of funds
g. Asset management policies

Q5. (B) State whether following statements are True or False. (5)

a. False b. True c. False d. False e. False

Q5. (C) Fill in the blanks. (5)

a. Advertisement b. financial institution c. short term d. Ownership
e. financial management

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