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Duration: 3 Hrs.

Marks: 100

Note: All questions are compulsory.
Figures to the right indicate full marks.

- Q1. Answer any two of the following. 20
- a. Explain the meaning and determinants of fixed capital requirement.
Meaning – 5 to 6 lines – 2 marks, determinants – 8 marks
Nature of business activity, size, scale of operation, type of product, method of manufacturing, method of acquiring fixed asset, scope of activities, government subsidy.
 - b. What is working capital? Explain the importance of working capital.
Meaning 5 to 6 lines- 2 marks, importance – 8 marks
Continuity of business operations, creditworthiness, goodwill, higher efficiency, easy availability of bank loan, able to face competition, develop capacity.
 - c. State the sources of working capital and explain briefly trade credit as one source.
Sources- 4 marks, Trade credit- 6 marks
Sources: bank credit, public deposit, advances from dealers, advances from customers, self-financing, instalment credit, and issue of debentures.
Trade credit- meaning, merits and demerits.
- Q2. Answer any two of the following. 20
- a. Discuss the meaning and functions of capital market.
Meaning- 5 to 6 lines – 2 marks, functions – 8 marks
Contribute industrial growth, growth of national economy, economic development, link between saver and user of money, meets financial needs, development of stock market, inflow of foreign capital, revival of sick unit, liquidity.
 - b. Explain briefly primary and secondary market.
Primary market- 5 marks, secondary market – 5 marks
 - c. Discuss the formation and objectives of SEBI.
Formation – 4 marks, objectives – 6 marks.
Objectives: promote orderly and healthy growth of securities market, protect rights, proper market environment, regulate operations, create healthy market environment, and provide suitable education and guidance to investors.
- Q3. Answer any two of the following. 20
- a. What is a mutual fund? Explain its functions.
Meaning- 2 marks, functions – 8 marks
Mobile savings, benefit of professional investment, collect small savings, create investment portfolio, and facilitate capital formation and economic growth.
 - b. Explain the importance of mutual funds to investors and the national economy.
Benefits of diversified and profitable investment, professional management, liquidity, tax benefits, assured allotment, effective regulation, spread of risk, variety of investment options, provides financial resources to industries, economic growth, develops capital market, facilitates small investors.
 - c. Discuss briefly the current status of mutual funds in India.
Introduction, brief history, several schemes, current position of mutual funds, regulations by SEBI.

Q4. Answer any two of the following.

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- a. What is FDI? Explain its benefits.
Meaning- 2 marks, benefits- 8 marks
Benefits: facilitates industrial and economic development, employment generation, inflow of large scale foreign capital, import of foreign technology and professional skills, promotes export, optimum utilisation of resources, revenue to government.
- b. Explain briefly Indian government policy on FDI.
Introduction of FDI in India, Bold decisions on FDI, Benefits of liberal FDI policy.
- c. Discuss public opinion on FDI in India.
FDI position in India before 1990s, criticisms, position after economic reforms (after 1990s)

Q5. A Define the following terms (any 5)

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- a. Ploughing back of profit: It is the accumulated profits of the company. It is rightly called reinvestment of profits or reinvestment of retained earnings, it is a type of self-financing for the expansion of the company. It is an internal method of financing, it is possible only when company operates profitably over 10 to 15 years.
- b. Permanent working capital: It is that part of a total working capital which is used for purchasing current assets which the firm must maintain permanently in order to carry on its business operations. Eg. Certain minimum stock of raw material, loose tools, spare parts, finished products etc.
- c. Corporate securities market: It is concerned with buying and selling of corporate securities such as shares, debentures, and bonds of companies and corporations. It is useful for raising long term capital by companies.
- d. Advance from customers: Manufacturing companies ask for advances from customers while accepting their orders. Such advances are used for meeting working capital needs. This is done when products to be sold out are very costly and the market demand is also substantial as compared to the supply available.
- e. SEBI: The Government of India set up the Securities and Exchange Board of India (SEBI) as a statutory body for dealing with all matters relating to development and regulation of securities market and investor protection and to advise the government on all these matters
- f. Secondary market: - It is one component of industrial securities market. It is engaged in buying and selling securities which are "second hand" securities.
- g. Right issue of shares: - In this method new shares issued are offered to the existing shareholders on pro-rata basis. Preference is given to the existing shareholders. They may or may not accept new shares.

B. State whether the following statements are True or False.

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a – F, b – F, c – T, d – T, e- T

C. Fill in the blanks.

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a – Asset management company, b- promote, c- secondary market, d- reduces, e- comprehensive and effective