

SYBA – Semester IV - Commerce Paper II- Financial Management

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

a) Discuss the importance of working capital.

Ans; Time consumed in manufacturing process, Speed of turnover of circulating capital, Position of business cycle, Terms of purchase and sale, Dividend policy, Cost of raw material, Seasonal variations, Banking connections and cash requirement

b) State the determinants of fixed capital.

Ans; Fixed capital is that part of the total capital of a company and is used for buying, maintaining and replacing fixed assets.

Determinants: Nature of business, Size of business, Scale of operations, Type of product manufactured, Method of manufacturing, Method of acquiring fixed assets
Scope of activities, Government subsidy

c) Describe briefly the sources of working capital.

Bank credit, Trade credit, Public deposits, Advances from dealers, Advances from, customers, Self-financing, Instalment credit, Issue of debentures

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

a) What is private placement of securities? Explain its merits and demerits.

The essence of private placement is that the issuing company and the investor directly negotiate the transaction

Merits : Simplicity, Prospectus not required, Economical, No effect on company's control, Quick sale, Limited risk

Demerits : No benefit of favourable market, Identity lost, Control over management

b) Write a note on Gilt-Edged securities.

Ans. They are government securities which are considered to be secured and safe. Such as post office saving schemes.

c) Explain the functions of SEBI.

- i. guidelines to issuing companies
- ii. regulation of portfolio management services
- iii. regulation of mutual funds
- iv. action for delays in transfers and refunds
- v. guidelines on takeovers and mergers
- vi. special measures for protection of investors

- ②
- vii. orderly functioning of stock exchanges
 - viii. regulation of foreign institutional investors
 - ix. control on merchant banking

(20)

Q.3. Answer any two of the following.

a) Discuss briefly the different types of mutual funds?

Open ended, Close ended, Tax saving, Non-tax saving, Growth oriented, Dividend oriented, Equity oriented, Debt oriented, Balanced funds.

b) State the merits and demerits of mutual funds.

Merits : Benefits of specialisation, Liquidity, Effective regulation, Assured allotment, Tax relaxation, Spread of risk, No tension to investors, Variety of options

Demerits : Lack of efficient management, Lack of adequate information, Too many expectations, Regular monitoring, Risk element

c) Explain the meaning and features of mutual funds.

Diversified portfolio investment, Professional management, Liquidity, Tax benefits, Assured allotment, Regulation, Spread of risk, Relaxed investors, Variety of investment options.

(20)

Q.4. Answer any two of the following.

a) "Government policy on FDI is becoming liberal, practical and favourable to large scale FDI inflows to India." Discuss.

Ans. The government policy is fair, liberal and favourable for large scale inflow of direct foreign investment. The various sectors include banking, insurance, retail, infrastructure, industries, and defence and so on.

Industrial and economic development, Employment generation, Inflow of large scale, foreign capital, Import of foreign technology, Professional skills. Promotion of exports

b) Discuss the current status of FDI in India.

FDI is less in the manufacturing sector, Contribution of FDI in promoting exports is less, Actual inflow is less, Undesirable effects on Indian economy, Open door policy.

c) Explain the meaning and importance of FDI.

Industrial growth, Employment generation, Export promotion, Infrastructure development
Rural development, Foreign relations, Trade fairs and exhibitions, Liberal government policies, Concessions and incentives, Power generation, Socio economic development.

Q.5.A) Define the terms (5/7).

(5X2)

- a. FDI in insurance
- b. Growth oriented mutual funds
- c. Insider trading
- d. Offer for sale
- e. Debentures
- f. Ploughing back of profits
- g. Equity shares

B) State whether following statements are True or False.

(5)

- a. Shortage of working capital is better than excess working capital. False
- b. In India RBI regulates the functioning of mutual funds. False
- c. Trade credit is economical but not available promptly. True
- d. SEBI proved ineffective as regulatory authority in the Indian capital market. false
- e. India's FDI policy is old, conservative and outdated. False

C) Fill in the blanks.

(5)

- a) FDI inflows to India are highest from _____.
(USA, Japan, Mauritius)
- b) Investors of mutual funds _____ tax benefits.
(get, do not get, sacrifice)
- c) Benefits of right issue is available to _____ shareholders.
(equity, preference, small)
- d) Excess working capital is _____.
(productive, unproductive, profitable)
- e) SEBI is primarily for the protection of _____.
(investors, speculators, companies).
