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67299

SYBA- SEM IV - COM II – FINANCIAL MANAGEMENT

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. What is fixed capital? Explain the sources of fixed capital.

Meaning – 2 marks, sources- 8 marks

Fixed capital is invested in the business as long as the company operates as a corporate body. It is the amount of capital required for purchasing the fixed assets like land, building, machinery etc.

Sources – issue of equity shares, preference shares, ploughing back of profit, loan from financial institution, issue of debentures, bank loan and lease financing.

- b. Explain the meaning and significance of adequate working capital.

Meaning- 2 marks, significance – 8 marks

It is the short-term capital required or used for meeting the normal or regular working of a company. It is used for purchasing raw materials for payment of wages, taxes, water charges and so on.

Significance -facilitates continuity in the business operations, helps to earn creditworthiness of the firm, creates goodwill and prestigious position in the market, facilitates higher efficiency and morale, makes possible easy availability of bank loans, helps to face market competition, develops capacity to face seasonal fluctuations.

- c. Discuss the factors determining the working capital requirements of a business unit?

Factors- 10 marks

Nature of business, size of business, nature of operating cycle, time consumed in manufacturing process, speed of turnover of circulating capital, position of business cycle, terms of purchase and sales, dividend policy, cost of raw material and importance of labour in manufacturing, seasonal variations, cash requirements.

Q2. Answer any two of the following.

20

- a. What is capital market? Discuss the factors contributing to the growth of capital market in India.

Meaning – 2 marks, factors – 8 marks

Capital market is an organised market for meeting long term financial needs of business enterprises.

Factors- dominance of private sector, growing popularity of financial institutions, support from financial institutions, participation of public, growth of MNC in India, wide market in India, favourable government policies, use of modern technology.

- b. Write a note on secondary market.

Meaning and marketing securities in secondary market – 10 marks

Secondary market is one component of industrial securities market. It is engaged in buying and selling securities which are “second hand” securities. It is a market for outstanding securities, it is an active market, regulated by SEBI. Marketing securities in secondary market - listing of securities, listing agreement, payment of fees.

- c. What is SEBI? Explain briefly the achievements of SEBI.

Meaning – 2 marks, achievements – 8 marks

Securities and Exchange Board of India is the apex body to look after all aspects of capital and financial market functioning in India.

Achievements – guidelines to issuing company, regulations for portfolio management service, regulation of mutual funds, action for delays in transfers and refunds, guidelines for takeover and merger, special measures for protection of investors, education and guidance of investors, orderly functioning of stock exchange, regulation of foreign institutional investors, control of merchant banking.

Q3. Answer any two of the following.

20

- a. What is Mutual fund? Explain the functions of mutual funds.

Meaning – 2 marks, functions – 8 marks

Mutual fund is a financial agency which collects the savings from small investors, invest them in government and corporate securities and earn income through interest and dividends.

Functions - Mobilise savings, benefit of professional investment management service, small savings collection, create investment portfolio, facilitate capital formation, growth of economy

- b. Explain how SEBI regulates mutual funds in India.

Regulations – 10 marks

Formation of AMC, Net worth, approval of offer document, prescribes the minimum amount, advertisement code.

- c. Discuss briefly the current status of mutual funds in India.

Introduction, history of mutual funds in India, innovative schemes in India, popularity of mutual funds, present favourable trend towards mutual funds.

Q4. Answer any two of the following.

20

- a. What is Foreign Direct Investment? Discuss the government policy on foreign direct investment.

Meaning – 2 marks, government policy – 8 marks

Foreign direct investment is one popular and extensively used form of foreign capital, it represents investment made in India by setting up branches, units or subsidiaries by the overseas bodies. Government policy-Introduction, FDI limits for different sectors, bold decisions on FDI in India.

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b. Explain the advantages of FDI to India.

Advantages – 10 marks

Facilitates industrial development, economic development, employment generation, inflow of foreign capital, import of foreign technology, professional skills, promotion of exports, optimum utilisation of human and other resources, revenue to govt...
reduction in balance of trade and balance of payment deficit.

c. Discuss position of FDI in India.

Position before 1990s, Criticisms on FDI, position after economic reforms (after 1990s)

Q5. (A) Define the following terms. (Any five)

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- a. Lease financing: lease financing companies provides costly machinery, equipment etc on lease basis, the manufacturing company takes the possession of machinery, uses the same and pays rent for the same.
- b. Advances from dealers: companies take advances from their clients along with big orders, such advances are useful for meeting working capital needs of the business.
- c. Gilt-edged securities market: it is one sub-market of the capital market which deals with securities of central government, state government and financial institutions such as IDBI, SFCs etc., they are fully secured.
- d. 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
- e. Developmental functions of SEBI: they are for healthy growth of capital market which includes training of intermediaries, investor guidance, education, and protection, research and publication of useful information, promotion of self-regulatory organisations and so on.
- f. Open-ended mutual funds: in these schemes the size of the fund and the period of the fund is not pre-determined. The investors are free to buy units under such scheme at any time and sell them also at any time at his discretion.
- g. primary market: the new issue market is one constituent of capital market. It deals with raising of fresh capital by companies through various corporates securities such as shares, debentures and so on.

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

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- a. True, b. false, c. true, d. false, e. False

Q5. (C) Fill in the blanks.

05

- a. expansion and diversification of business, b. less, c. listing, d. high,
e. asset management company.
