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**SYBA – Semester IV - Commerce Paper II- Financial Management**

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

a) State the meaning and sources of fixed capital.

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

Sources - Equity shares, Preference shares, Ploughing back of profits, Loans, Issue of debentures, Bank loans, Lease financing

b) What is working capital? Explain the determinants of working capital.

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 sale, Dividend policy, Cost of raw material, Seasonal variations, Banking connections and cash requirement.

c) Discuss briefly the merits and demerits of public deposits.

Merits - Easy availability, Quick process, Simple and cheaper, Without any charge on assets, Trade on equity, Flexible, Huge capital

Demerits - Fair weather friend, Available only to financially strong companies, Not dependable to companies, Uneconomical, Inconvenient

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

a) What is capital market? Explain its components.

- I. Government securities market
- II. Corporate securities market
  - a. Primary market, b. Secondary market
- III. Development financial institutions
  - a. IDBI, b. ICICI, c. LIC, d.SFCs, e.IFCI, f.UTI
- IV. Financial intermediaries
  - a. Merchant banks, b.Mutual funds, c.Lease finance companies, d.Venture capital companies, e.Others

b) Discuss the factors responsible for the growth of capital market in India.

Dominance of private sector, Growing popularity of financial institutions  
Support, Public participation, Growth of multinationals, Wide market, Favourable government policies, Modern technology.

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c) Write a note on powers of SEBI.

Stock exchange and intermediaries, Monetary penalties, Initiate actions, Insider trading, Securities contracts act, Stock exchanges

Q.3. Answer any two of the following.

(20)

a) "Investment in a mutual fund is more beneficial as compared to bank deposit". Explain.

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

b) Discuss the growing popularity of mutual funds in India.

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

c) Describe 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

Q.4. Answer any two of the following.

(20)

a) "Indian public opinion is favourable to liberal flow of FDI" Discuss.

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

b) Explain the advantages and importance of FDI to India.

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

c) Discuss the importance of FDI in India's industrial development.

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 airlines
- b. Growth oriented mutual funds
- c. Self-regulation
- d. Primary market
- e. Preference shares
- f. Right issue
- g. Trade credit

B) State whether following statements are True or False.

(5)

- a. Export promotion is possible through FDI inflows. true
- b. In India RBI regulates the functioning of mutual funds. false
- c. Trade credit is economical but not available promptly. false
- d. Debentures are used as a source of working capital only. false
- e. Fixed capital requirement varies from enterprise to enterprise. true

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) Capital market acts as \_\_\_\_\_ of industrial and economic growth.  
(backbone, supporter, linkage)
- d) SEBI \_\_\_\_\_ insider trading.  
( allows, restricts, encourages)
- e) A large business unit needs \_\_\_\_\_ fixed capital.  
( less, more, moderate)

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