

MAY 2011

P/ID 6023/MEF

Time : Three hours

Maximum : 80 marks

PART A — (8 × 5 = 40 marks)

Answer any EIGHT questions.

1. Explain the role of finance manager in an Organisation.
2. Explain the structure of Indian Financial System.
3. What is Cost of Capital? Discuss its uses in Financial Decision making.
4. Explain the advantages and disadvantages of Financial Leverage.
5. Explain any five factor affecting dividend policy of a firm.
6. Bringout the principal proposition of MM approach.
7. What is Working Capital? Describe the types of Working Capital.
8. Discuss briefly the role played by various participants in lease Finance Services.

9. What are the broad parameters of operational efficiency for mutual funds?
10. Explain the factors influencing capital structure of a firm.
11. Explain different types of risk.
12. Examine the reasons for business failure.

PART B — (4 × 10 = 40 marks)

Answer any FOUR questions.

13. Explain the different methods of capital budgeting with its merits and demerits.
14. Give an account of the various schemes of mutual funds.
15. Discuss the relationship between EBIT and EPS.
16. Following are the details regarding the capital structure of a company

Type of Capital	Book Value	Market Value	Specific Cost
Debentures	40,000	45,000	5%
Preference Capital	10,000	10,000	8%
Equity Capital	60,000	1,20,000	13%
Retained Earnings	20,000	-	13%
	<u>1,30,000</u>	<u>1,75,000</u>	

Calculate weighted average cost of capital using
(a) Book values as weights (b) Market value as weights.

17. Explain the various of Dividend policy.
 18. Discuss the production and operating economics which can result from mergers.
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