

MAY 2011

**P/ID 37512/PBAM**

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Time : Three hours

Maximum : 80 marks

PART A — (5 × 5 = 25 marks)

Answer any FIVE of the following.

1. Explain the scope of Financial Management.
2. What are the uses of Common Size Financial Statements?
3. What are the assumption underlying BEP analysis?
4. What are the motives for holding inventory?
5. Write a brief note on working capital finance.
6. What are the features of equity shares?
7. What do you meant by flexible capital structure?
8. What are fixed and flexible budgets?

PART B — (4 × 10 = 40 marks)

Answer any FOUR questions.

9. Explain the role of SEBI in primary and secondary market reforms.
10. Explain in detail the internal sources of funds available for a firm.

11. Discuss the significance of dividend policy in business decisions. How can dividend policy decisions in finance the value of the firm?
12. What is capital structure? Discuss the major determinants of capital structure.
13. Discuss the Lintner's survey of corporate dividend behaviour.
14. What is bonus shares? Explain the procedure for issue of bonus shares.

PART C — (15 marks)

Compulsory

15. ZBB & co needs Rs. 5,00,000 for construction of a new plant. The following three alternatives are available.
  - (a) The company may issue 50,000 equity shares of Rs. 10 per share
  - (b) The company may issue 25,000 equity shares at Rs. 10 per share and 2,500 debentures of Rs. 100 each bearing 8% interest
  - (c) The company may issue 25,000 equity shares at Rs. 10 per share and 2,500 preference shares at Rs. 100 per share bearing 8% dividend

If the companies EBIT is Rs. 1,00,000, which alternative would you recommend and why? The company tax rate is 40%.

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