

MAY 2016

**P/ID 77512/PMBM/
PMB1M/PMBS**

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. What is finance function? What are its objectives?
2. Outline the functional areas of financial management.
3. What is meant by ratio analysis? Describe its objectives.
4. Describe the relationship between solvency and liquidity ratios.
5. Define working capital. Describe its functions.
6. What factors would you take into consideration in estimating the working capital needs of a concern?
7. Distinguish between specific cost versus composite cost.
8. Discuss the relationship between debt financing and financial leverage.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. “Finance function is concerned with allocating funds to specific assets and obtaining the best mix of financing in relation to the overall valuation of the firm”. Discuss.
10. What do you understand by financial statement? Discuss the nature of financial statements.
11. “Ratio analysis is a tool to examine the health of business with a view to make financial results more intelligible.” Explain.
12. Explain the term ‘break-even point’. How it is determined and what is its use?
13. Explain the guidelines given by Tandon Committee.
14. Discuss the new trends in financing of working capital by banks.
15. Examine critically the different approaches for computing the cost of equity. Discuss the merits and demerits of each.
16. Explain the meaning of term capital structure and mention the factors affecting capital structure.

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PART C — (1 × 20 = 20 marks)

Compulsory.

Case Study.

17. As a management Consultant, you are required to state the considerations involved in estimating the amount of the required working capital. Suggest ways and means to meet the need for working capital in the case of newly started business.
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