

MAY 2013

**P/ID 37512/PBAM**

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Time : Three hours

Maximum : 80 marks

PART A — (5 × 5 = 25 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Explain the objective of financial management.
2. How break even chart is constructed? Explain its utility.
3. Explain the concept of working capital.
4. Explain the utility of cash budget.
5. State the reasons for importance of cost of capital.
6. What are the main proposition of traditional approach?
7. Write a note on zero base budgeting.
8. What are the advantages of FIS?

PART B — (4 × 10 = 40 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. Explain the functions of financial management.
10. What benefits and costs are associated with extension of credit? How should may be combined to obtain the appropriate credit policy?

11. Explain the important features of Tandon committee's recommendations.
12. Explain the inventory control techniques in detail.
13. Explain the factors which influence the planning of capital structure in practice.
14. Evaluate equity capital from the point of view of the company and share holders.

PART C — (1 × 15 = 15 marks)

Compulsory

15. Jazz stores Ltd. has a total capitalisation of Rs. 10 lakhs consisting entirely of equity shares of Rs. 50 each. It wishes to raise another Rs. 5 lakhs for expansion through one of its two possible financial plans.
  - (a) all equity shares of Rs. 50 each
  - (b) all debentures carrying 9% interest.

Assume that EBIT at Rs. 1,40,000 and income tax 50%. Calculate financial average and EPS of these financial plans.

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