

MAY 2011

**P/ID 77512/PMBM**

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Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE of the following.

1. Briefly explain the scope of Finance.
2. Explain the features of Financial Planning.
3. State the importance of Financial Forecasting.
4. What do you mean by Financial Statement Analysis?
5. What do you mean by Operating Leverage? Discuss its uses.
6. Write a short note on Break-Even Analysis and describe its limitations.
7. Define 'Zero-Based' Budget. State its importance.
8. Briefly explain the Chore Committee recommendations of working capital finance.

PART B — (5 × 10 = 50 marks)

Answer any FIVE of the following.

9. Compare and contrast between operating leverage and financial leverage. Explain with suitable examples.
10. What is meant by Profit Cost Analysis? Discuss its features and merits.
11. Describe the similarity and difference between Budgets and Standard Costs.
12. Define 'Finance Function'. Explain in detail the various finance functions in a large manufacturing organisation.
13. What do you mean by optimum Capital Structure? Discuss different theories of Capital structure.
14. What is Budgetary Control? Discuss its significance. Explain the steps involved in implementing Budgetary Control System in an organisation.
15. Discuss the dynamics of relationship that may exist between Financial Management and other functional areas.
16. What is Budgetary Control? Discuss its significance. Explain the steps involved in implementing Budgetary Control System in an organisation.

PART C — (1 × 20 = 20 marks)

compulsory

17. A company with net operating earnings of Rs. 3, 00,000 is attempting to evaluate a number of possible capital structures, given below. Which of the capital structures will you recommend and why?

Capital Structure	Debt in capital structure (Rs)	K <sub>i</sub> (%)	K <sub>e</sub> (%)
1	300000	10	12.0
2	400000	10	12.5
3	500000	11	13.5
4	600000	12	15.0
5	700000	14	18.0

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