

TED (15) – 4252

(REVISION — 2015)

Reg. No. ....

Signature .....

**DIPLOMA EXAMINATION IN ENGINEERING/TECHNOLOGY/  
MANAGEMENT/COMMERCIAL PRACTICE — OCTOBER, 2018**

**FINANCIAL MANAGEMENT**

[Time : 3 hours

(Maximum marks : 100)

**PART — A**

(Maximum marks : 10)

Marks

I Answer *all* questions in one or two sentences. Each question carries 2 marks.

1. List out any two types of financial planning.
2. Write the meaning of capital gearing.
3. State the meaning of debentures.
4. List out any four limitations of ratio analysis.
5. List out four factors affecting capital structure.

(5×2 = 10)

**PART — B**

(Maximum marks : 30)

II Answer any *five* of the following questions. Each question carries 6 marks.

1. Explain the significance of finance management.
2. Describe the functions of IDBI.
3. Explain the causes of over capitalization.
4. List out the components of working capital.
5. From the following Balance sheet of XYZ Ltd., Calculate solvency ratio.

<i>Liabilities</i>		<i>Assets</i>	
	<i>Amount</i>		<i>Amount</i>
Equity share capital	1500000	Fixed assets	1400000
Reserve fund	100000	Stock	500000
6% Debentures	300000	Debtors	200000
Overdraft	100000	Cash	100000
Creditors	200000		
	2200000		2200000

6. Explain the limitations of payback period.
7. Describe wealth maximization objective of financial management. (5×6 = 30)

## PART — C

(Maximum marks : 60)

(Answer *one* full question from each unit. Each full question carries 15 marks.)

## UNIT — I

- III (a) Explain the arguments in favor and against of profit maximization objective. 10
- (b) Explain the limitations of financial plan. 5

OR

- IV (a) Explain the traditional concept of finance and its limitations. 8
- (b) Explain the advantages of wealth maximization. 7

## UNIT — II

- V Explain the sources of fund. 15

OR

- VI Explain the role of financial institutions in meeting financial requirements of industries. 15

## UNIT — III

- VII (a) Explain EOQ with the help of graph. 8
- (b) There are two projects X and Y. Each project requires an investment of ₹ 20,000. You are required to rank these projects based on payback period.

Years	Cash inflow of Project X	Cash inflow of Project Y
1st	1000	2000
2nd	2000	4000
3rd	4000	6000
4th	5000	8000
5th	8000	

7

OR

- VIII (a) Explain the causes and remedies for under capitalisation. 8
- (b) Explain the importance of working capital. 7



## IX Balance sheet of Moonlight Industries Ltd.

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
Equity share capital	1000000	Land and Building	1000000
Reserve	500000	Plant and Machinery	800000
Preference shares	500000	Furniture	200000
Debentures	1000000	Inventory	1000000
Creditors	400000	Debtors	200000
Bills payable	100000	Bills receivable	500000
Bank Loan	500000	Cash in hand	100000
		Cash at Bank	200000
	4000000		4000000

From the above data you are required to calculate :

- (i) Current ratio
- (ii) Liquid ratio
- (iii) Acid test ratio

15

OR

## X Explain the merits of ratio analysis.

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