BRAIN INTERNATIONAL SCHOOL

SUBJECT: BUSINESS STUDIES CLASS XII OCTOBER'18
Chapter -9: Financial Management

1. A company wants to establish a new unit in which a machinery worth Rs.10 lakhs is involved. Identify the type of decision involved in financial management.

2. A decision is taken to raise money for long term capital needs of the business from certain sources. What is this decision called ?

3. A decision is taken to distribute certain parts of the profit to shareholders after paying tax. What is this decision called?

4. In case of inflation, does an enterprise need more or less of the working capital?

5. Identify the decision taken in financial management which affects the liquidity as well as the profitability of business.

6. State why the working capital needs for a service industry are different from that of a manufacturing industry.

7. To avoid the problem of shortage and surplus of funds what is required in financial management? Name the concept and explain its any three points of importance.

8. State the factors which affect the capital structure of a company.

9. Why is Financial Planning done?

10. Length of Production cycle affects the working capital requirements of an organization. Explain how?

11. 'Primary objective of financial management is to maximize the wealth of shareholders'. Explain.

12. The directors of a manufacturing company are thinking of issuing Rs. 20 lacs additional debentures for expansion of their production capacity. This will lead to an increase in debt-equity ratio from 2:1 to 3:1. What are the risks involved in it?

13. A businessman who wants to start a manufacturing cocern, approaches you tosuggest him whether the following manufacturing cocern would require large or small working capital: (a) Bread, (b) Coolers, (C) motor Car.

14. Under which situation the EPS of a company falls with increased use of debt? Explain with the help of an example.

15. How does loan components or debentures in the capital structure act as lever to raise the return on equity share capital ?

16. "Debt and Equity differ significantly in terms of cost and risk". How?

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Chapter -10: Financial Market

1. What is meant by 'Financial Market'?

2. What is the primary aim of financial market?

3. State two major segments of financial markets.

4. Name & list the features of the money market instrument used by banks to maintain CRR?

5.Name & list the features of the money market instrument that is used as bridge finance.

6. What is 'Trade Bill' & how is it different from 'Commercial Bill?

7. Define Capital market & list its two segments.

8. Distinguish between 'Money market' & 'Capital market' with reference to
(i) Safety; (ii) Expected returns; (iii) Instruments; (iv) Duration

9. Explain 'Demutualisation'& 'Dematerialisation'of securities

10. Ganesh Steel Ltd., is a large & creditworthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long term finance. It decides to raise funds by issuing equity shares. The issue of Equity shares involves a huge flotation cost. To meet the expenses of flotation cost, the company decides to tap the money market.
(i)Name the money market instrument the company can use for the above purpose.
(ii)What is the duration for which the company can get funds through this instrument?
(iii)State any other purpose for which this instrument can be used.

11.Supriya's grandmother who was unwell, called her & gave her a gift packet. Supriya opened
the packet and saw many crumpled share certificates inside. Her grandmother told her that they had been left behind by her late grandfather.
As no trading is now done in physical form, Supriya wants to know the process by which she is
in a position to deal with these certificates.
(i)Identify & state the process.
(ii)Give two reasons to Supriya why dealing with shares in physical form has been stopped.
(iii)List the steps in the process identified in (i) above.

12.Due to change in technology, a company is in immediate need of funds to modernise its plant
& machinery. The directors of the company wish to approach stock exchange directly to make
a public issue of shares. While, the Finance manager recommends to approach an institutional investor for the new issue of shares.

(i) Identify the methods recommended by the directors.
(ii) Identify the method recommended by the Finance Manager.