



SUB: Business Studies      **FINANCIAL MANAGEMENT**      Date of Worksheet: 24/08/2017

Name of Student:

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Class and Div.: XII C & D

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Q.NO	QUESTIONS	MARKS
1.	The size of the assets, the profitability and competitiveness are affected by one of the financial decisions. Name and state the decision.	1
2.	Name and state the aspect of financial management that enables to forces the fund requirements both in terms of ‘ quantum’ and ‘ the timings’.	1
3.	Name the concept which increases the return on equity shares with a change in the capital structure of a company.	1
4.	From the point of view of ‘Floatation costs’ which source of finance is most appropriate?	1
5.	How the ‘Stability of Earnings’ affects the dividend decision?	1
6.	Mr. Karakkadan holds the designation of Finance Manager in “Nessa Group of companies.” Last year performance of his department was as per the expectation. Currently, he is buying in preparing financial blueprint of the next five years. To begin with he tried to forecast the sales in the	3

	<p>next five years. It is so because it is the sales on which depends the need for fixed and working capital. Thus an estimate was made with regard to both these items. Similarly, he collected data in respect of possible profits in the coming years. In this way one can know how much of capital will be available from within the business. The rest of the funds will be arranged from outside the business. He is also thinking about the sources of finance to be tapped outside the business.</p> <p>Identify the financial concept as referred to in the above paragraph.</p> <p>Write any two points of importance of the financial concept, so identified.</p>	
7.	<p>Robin and Ryan were twin brothers. Both were M.B.A. students in a renowned institute. Their degree course was about to complete when a multi – national company visited the institute and selected both of them. Both the brothers were fond of social activities. They decided to set up in their own village such a work that not only provided self-employment but employment to others as well. In order to make their decision successful they left their job. Robin set up a factory in his own village. This factory produced flour, oil and cotton. In this way he established a manufacturing unit producing not one but three products. Thus, he</p>	4

	<p>provided employment to as many as 80 persons. On the other hand, Mohammed opened a show room in a nearby town. He engaged himself in trading the goods produced by Robin. The salient features of his business was that he used to sell 100% pure products at minimum possible price. Efforts of both the brothers resulted in full support to the development of their area.</p> <p>a) In the above paragraph, two factors affecting fixed capital have been mentioned concerning Robin's business. Identify them.</p> <p>b) Identify source of recruitment as mentioned in the above paragraph.</p> <p>c) In the above paragraph, identify any two values that are being provided to the society,</p>	
8.	<p>Mr. Prakash Gopalan is finance manager in “ Balaji Ooni Vastar Udyog Ltd.” Company's business is spread all across the country. Company has three divisions, namely , Northern Division, Eastern Division and Western Division. Main characteristic of the first divisional manager is that he takes any final decision only after consultation with his subordinates. Second divisional manager has authorized his subordinates to take any decision and so they are free to take their own decision. Third divisional manager keeps with himself all the authorities. He himself takes all the</p>	5

	<p>decisions. Participation of the subordinates in decision making is zero. All the three division of the company are displaying high level of performance.</p> <p>a) Mention two factors affecting requirement of working capital as discussed above.</p> <p>b) As referred to in the above paragraph, all the three divisional managers are following a special kind of leadership style. Identify the same.</p>	
9.	<p>“ Jeet and Jeet Ltd”. deals in edible oils. Besides, the company is also engaged in wholesale business of tea. Mr. Rakesh Budhiraja is Finance Manager of Edible Oil Division. He is to give a presentation on Capital Structure before the Board of Directors. For the sake of its presentation, he studied “Business Studies” Text book of Class XII. Main parts of his presentation were as under:</p> <p>“He maintained that if the company is in a profitable position then along with Equity Share Capital it would be appropriate to use fixed cost capital, like Preference Share Capital and Debt Capital. By doing so ratio of total capital increases. It leads to fall in total capital cost. Consequently, earning of equity shareholders appreciates. However, in adverse situations, there would be risk of failure to pay fixed capital costs.</p>	5

	<p>Besides this, in the meeting of the Board of Directors, opportunities available in the market were also discussed. In this regard, it was told that these days people are very much conscious of about cholesterol. Why does not company bring it to zero percent level in its edible oils.by marketing such a product ahead of all others, huge profits could be obtained. Board of Directors agreed to discuss this issue with the specialists of Research and Development Department.</p> <p>i) In the above paragraph, two main factors of ‘Capital Structure’ have been mentioned. Identify the same.</p> <p>ii) Describe that factor of business environment that has been reported in the meeting of the Board of Directors.</p> <p>iii) Which kind of organization structure is being practiced by the company.</p>	
10	<p>“ Radhika Limited” manufacturers blankets. Company’s history has been satisfactory, but for the past sometime, its cash flow position is in a bad shape. That is why company has not been able to pay sufficient dividend to its equity shareholders. When Mrs. Rakhi Khetarpal, the finance manager, tried to find out the causes of poor financial situation of the company, she observed that the control of</p>	6

the company was in the hands of several persons who were unable to take any concentrate decision. To come out of this financial crisis, Mrs. Khetarpal, has been deliberating on the kind of source of finance that needs to be tapped to arrange funds. She wants to make use of such a source as does not provide to be a fixed burden on the company. she has also to keep in mind that company has got its premises on rent and the rent in exorbitant. Similarly, it has to bear the burden of fixed salaries. She is also worried about the fact that in future control of the company should be in the hands of too many persons.

Above discussion hints at those factors which help the finance manager in deciding as to which financial source(Equity shares or debentures) he should tap for the needed funds. Of the four mentioned here two are in favour of issuing equity shares and the other two are in favour of issuing debentures. Identify these factors and explain by underscoring the relevant lines.

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