

**M.Com. DEGREE (C.S.S.) EXAMINATION, AUGUST 2015****Second Semester**

Faculty of Commerce

**FM 02 C08—FINANCIAL MANAGEMENT STRATEGIES**

(2012 Admission onwards)

Time : Three Hours

Maximum Weight : 30

**Section A**

*Answer any five questions.  
Each question carries 1 weight.*

1. What is ABC analysis ?
2. What is circulating working capital ?
3. What is bonus share ?
4. What is risk return trade off ?
5. What do you mean by credit syndication ?
6. Name various factors influencing the size of receivables.
7. How liquidity and profitability differ ?
8. What is trading on equity ?

(5 × 1 = 5)

**Section B**

*Answer any five questions.  
Each question carries 2 weight.*

9. What are the different types of working capital ?
10. What is EOQ ? How it is determined ?
11. What are the objects of Inventory control system ?
12. What are the different internal sources of finance ?
13. What is perpetual inventory system ? Explain its merits.
14. What are the objectives of dividend policy ?
15. Is bonus issue beneficial to the Company ?
16. Explain the gordons model of dividend policy.
17. What is a sound credit policy ?

(5 × 2 = 10)

Turn over



## Section C

Answer any **three** questions.  
Each question carries 5 weight.

18. Explain different dividend theories.
19. How can we estimate the working capital needs of a company ?
20. It is a real problem for managing the inventories.....do you agree ?
21. How can we manage cash inflow and outflow for a trading concern ?
22. S Ltd. has furnished the following information for the year ending 2006 :

	Rs. (in lakhs)
Net profit	37,500
Dividend including interim dividend	12,000
Provision for income tax	7,500
Income tax during the year	6,372
Loss on sale of asset (net)	60
Book value of asset sold	277.5
Depreciation charged in Profit and Loss	30,000
Profit on sale of investment	150
Interest on investment	41,647.5
Value of investment sold	3,759
Interest expenses	15,000
Interest paid during the year	15,780
Increase in Working Capital (excl. cash and bank)	84,112.5
Purchase of Fixed assets	21,840
Invest on joint venture	5,775
Expenditure on construction WIP	69,480
Proceeds from Long term borrowing	38,970
Proceeds from Short term borrowing	30,862.5
Opening cash at bank	11,032.5
Closing Cash at bank	2,569.5

Prepare cash flow statement.



23. The following annual figures relating to X Ltd.

		Rs.
Sales (at 2 months credit)	...	36,00,000
Material consumed (2 months credit)	...	9,00,000
Wages paid (monthly in arrear)	...	7,20,000
Manufacturing expenses outstanding at the end of the year		
(Cash expenses are paid 1 month in arrear)	...	80,000
Total administration expenses paid as above	...	2,40,000
Sales promotion expenses paid quarterly in advance	...	1,20,000

The Company sells its products on gross profit of 25% counting depreciation as part of the cost of production. It keeps one month stock each of raw material and finished goods, and a cash balance Rs. 1,00,000. Assuming a 20% safety margin, workout the working capital requirement of the Company on cash cost basis. Ignore WIP.

(3 × 5 = 15)