

G 17003013



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Reg. No.....

Name.....

M.Com. DEGREE (C.S.S.) EXAMINATION, JULY 2017

Second Semester

Faculty of Commerce

FM02C08—FINANCIAL MANAGEMENT STRATEGIES

(2012 Admission onwards)

Time : Three Hours

Maximum Weight : 30

Section A

Answer any five questions.

Each question carries a weight of 1.

1. What do you mean by 'temporary Working Capital'?
2. Explain the term 'Operating Cycle'.
3. Define the term 'ABC Analysis'.
4. What is 'letter of Credit'?
5. Define the term 'receivables'.
6. What do you understand by 'Cash Budget'?
7. What is 'Dividend policy'?
8. What is 'Stability of Dividend'?

(5 × 1 = 5)

Section B

Answer any five questions.

Each question carries a weight of 2.

9. Explain the concept of Working Capital.
10. Describe the strategies are available to a firm for financing its working capital.
11. State the basic assumptions underlying EOQ model.
12. What are the different kinds of inventories?
13. Discuss the purpose of credit sales.
14. Explain the various strategies for managing surplus funds.

Turn over





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15. Discuss the different models of cash management.
16. What are the advantages of issues of bonus shares?

(5 × 2 = 10)

Section C

Answer any **three** out of six questions.

Each question carries a weight of 5.

17. Explain briefly Risks and Costs associated with inventories.
18. Explain the important dimensions of a firm's credit policy.
19. What are the basic problems of cash management?
20. Describe the different forms of dividend.
21. Prepare an estimate of net working capital requirements of Ms. Selvi limited from the data given below.

<i>Estimated cost per unit of production</i>	<i>Rs. Per unit</i>
Raw materials	100
Direct Labour	40
Overheads	80
	220

The following is the additional information :

Selling price per unit	Rs. 240
Level of capacity	1,04,000 units p.a
Raw materials in stock	Average 4 weeks
Work-in-progress (assume 100 % stage of completion of materials and 50 % of Labour and overheads)	Average 2 weeks
Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 8 weeks
Lag in payment of wages	Average 1 1/2 weeks

Cash at bank is expected to be Rs. 25,000. Assume production is sustained during 52 weeks of the year.





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22. Prepare a cash budget for three months from May to July 2010 on the basis of the following information :—

<i>Month</i>		<i>Credit Sales</i>	<i>Credit purchases</i>	<i>Wages</i>	<i>Manufacturing Expenses</i>	<i>Office Expenses</i>	<i>Selling Expenses</i>
March	...	60,000	36,000	9,000	4,000	2,000	4,000
April	...	62,000	38,000	8,000	3,000	1,500	5,000
May	...	64,000	33,000	10,000	4,500	2,500	4,500
June	...	58,000	35,000	8,500	3,500	2,000	3,500
July	...	56,000	39,000	9,500	4,000	1,000	4,500
August	...	60,000	34,000	8,000	3,000	1,500	4,000

- (a) Cash Balance on 1st May 2010 Rs. 8,000
- (b) Plant costing Rs. 16,000 is due for delivery in July: Payable 10 % on delivery, the balance after 3 months.
- (c) Advance tax of Rs. 8,000 each is payable in March and June.
- (d) Period of credit allowed (i) By suppliers two months ; and (ii) To customers one month.
- (e) Lag in payment of manufacturing expenses $\frac{1}{2}$ month
- (f) Lag in payment of office and selling expenses 1 month.

(3 × 5 = 15)

