

**M.Com. DEGREE (C.S.S.) EXAMINATION, AUGUST 2014****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 1 weight.*

1. Define EOQ.
2. What is permanent working capital ?
3. Mention different types of dividend policy.
4. What is cash cycle ?
5. What is factoring ?
6. Name various factors influencing the size of receivables.
7. What is dividend payout ratio ?
8. Give sources of bonus issue.

(5 × 1 = 5)

**Section B**

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

9. A firm should have adequate working capital; it should neither be excessive nor inadequate ; explain.
10. What is meant by inventory management ? Explain how inventory turnover ratio helps in inventory management.
11. Explain different methods of accelerating cash inflows.
12. Explain various stock levels.
13. What are the objectives of inventory management ?
14. What are Bonus shares ? How do they benefit the share holders ?

**Turn over**

15. What are the factors to be considered while estimating working capital ?  
 16. Discuss the selection criteria of marketable securities.

(5 × 2 = 10)

### Section C

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

17. How should cash management of a company be evaluated? Discuss,  
 18. Discuss the various forms of dividend.  
 19. The management of inventory must meet two opposing needs. What are these? How is a balance brought in these opposing needs ?  
 20. What is receivables management ? How is it useful for business concerns ?  
 21. From the following information, prepare a cash budget for the months of January to April:

		Expected Purchases	Expected Sales
		Rs.	Rs.
January	...	48,000	60,000
February	...	80,000	40,000
March	...	81,000	45,000
April	...	90,000	40,000

Wages to be paid to workers Rs. 5000 each month. Balance at bank on First January Rs. 8000.  
 It has been decided by the management that:

- (a) In case of deficit of fund within the limit of Rs. 10,000, an arrangement can be made with the bank.  
 (b) In case of deficit of fund exceeding Rs. 10,000 but within the limit of Rs. 42,000 issue of debentures is to be preferred.  
 (c) In case of deficit of fund exceeding Rs. 42,000 issue of shares is preferred (considering the fact that it is within the limit of authorised capital)
22. Mr. Gopan wishes to commence a new trading business and gives the following information :
- (1) The total estimated sales in a year will be Rs. 12,000.  
 (2) His expenses are estimated as fixed expenses of Rs.2,000 per month plus variable expense equal to five percent of his turnover.

- (3) He expects to fix a sales price for each product which will be 25 per cent in excess of his Cost of purchase.
- (4) He expects to turn over his stock four times in a year.
- (5) The sales and purchases will be evenly spread throughout the year. All sales will be for cash. But he expects one month's credit for purchases.

*Calculate :*

- (a) His estimated profit for the year.
- (b) His average working capital requirements.

(3 × 5 = 15)