

M.Com. DEGREE (C.S.S.) EXAMINATION, AUGUST 2016**Second Semester**

Faculty of Science

FM02 C08—FINANCIAL MANAGEMENT STRATEGIES

(2012 Admissions)

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 'Working Capital' ?
2. Explain the term 'Letter of Credit'.
3. What is 'Inventories' ?
4. What is 'Receivables Management' ?
5. What do you understand by 'Cash Discount' ?
6. What is Cash ?
7. Define the term 'Dividend'.
8. What is 'Bonus Shares' ?

(5 × 1 = 5)

Section B*Answer any five questions.**Each question carries a weight of 2.*

9. Describe the different types of Working Capital.
10. Explain the important two concepts of Working Capital.
11. What assumptions underlie the basic of EOQ Model ?
12. Discuss the criteria for judging the inventory system.
13. Explain the factors affecting to size of receivables.
14. Discuss the basic principles of good cash management.

Turn over

15. Discuss the basic four problems of cash management.
16. What are the implications of Walter Model ?

(5 × 2 = 10)

Section C

*Answer any three out of six questions.
Each question carries a weight of 5.*

17. Explain briefly Risks and Casts associates with inventories.
18. What are the important dimensions of a firm's credit policy' ?
19. Explain the strategies available to a firm for investing surplus cash.
20. What are the factors affecting the dividend policy ?
21. Sivika private limited sells goods on gross profits of 25 %. Depreciation is taken into account as part of cost of production. The following are the annual figures given to you,

	Rs.
Sales [two months credit]	18,00,000
Materials consumed [one month credit]	4,50,000
Wages paid [One month lag in payment]	3,60,000
Cash manufacturing expenses [One month lag in payment]	4,80,000
Administration expenses [One month lag in payment]	1,20,000
Sales promotion expenses [paid quarterly in advance]	60,000
Income tax payable in 4 installments of which one lies in the next year	1,50,000

The company keeps one month's stock each of the raw materials and finished goods. It also keeps Rs. 1, 00,000 in cash. You are required to estimate the working capital requirements of the company assuming 15 % safety margin.

22. Summarized below are the Income and Expenditure forecasts of Mr. Maran Ltd. for the months of March to August, 2014 :

Month	Sales (all credit)	Purchases (all credit)	Wages	Manufacturing Expenses	Office Expenses	Selling Expenses
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	4,500

You are given the following further information.

- (i) Plant costing Rs. 16,000 is due for delivery in June. 10 % paid on delivery and balance will be paid after 3 months.
- (ii) Advance Tax of Rs. 8,000 is payable in March and June each.
- (iii) Period of credit allowed (i) by suppliers 2 months and (ii) to customers 1 month.
- (iv) Lag in payment of manufacturing expenses 1/2 month.
- (v) Lag in payment of all other expenses 1 month.

You are required to prepare a cash budget for three months starting on 1st May, 2014 when there was a cash balance of Rs. 8,000.

(3 × 5 = 15)