

19001612



Reg. No.....

Name.....

**M.Com. DEGREE (C.S.S.) EXAMINATION, JUNE 2019**

**Second Semester**

Faculty of Commerce

FM02 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 do you mean by variable working capital ?
2. What is operating cycle ?
3. Narrate compensation motive of holding cash.
4. Write notes on concentration banking.
5. Give the explanation for holding cost of inventory.
6. What is ABC analysis ?
7. Briefly explain lock box system.
8. What is EOQ ?

(5 × 1 = 5)

**Section B**

*Answer any **five** questions.*

*Each question carries 2 weight.*

9. Discuss the dangers of redundant working capital.
10. Explain the advantages of ample cash balance.
11. What are the manners in which cash receipts are estimated while preparing cash budget using receipts and payments method ?
12. Explain the different levels of inventory in a manufacturing concern.
13. Write notes on significance of working capital.

**Turn over**

14. Identify the various cost of maintaining receivables.
15. Elucidate various sources and applications of cash in a big organisation.
16. Explain the operating cycle of working capital.

(5 × 2 = 10)

### Section C

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

17. “Working capital is a means and not an end”. Discuss the statement and explain the factors which influence the working capital needs of a large manufacturing undertaking.
18. What do you understand by controlling the level of cash ? Discuss the factors to be considered in deciding the level of cash.
19. Explain the factors determining the optimum level investment in inventory.
20. Discuss the determinants of the size of investment in receivables.
21. From the following particulars prepare a statement showing working capital needed to finance a level of activity 12,000 units of output per annum.

Analysis of selling price per unit in rupees

Raw materials — 5

Labour —3

Overhead —2

Profit —2

Selling price —12

Additional information :

- (a) Raw materials are to remain in store on average 1 month.
- (b) Materials are in process, on an average 2 months.
- (c) Finished Goods are in stock on an average 3 months.
- (d) Credit allowed to debtors is 4 months.
- (e) Credit allowed by suppliers is 2 months. It may be assumed that production and overheads accrue evenly throughout the year.

22. From the following information relating to Standard Engineering Co. Prepare cash budget for the half yearly ending 30<sup>th</sup> September, 2015 :

(A) Anticipated costs and sales :

MONTH	SALES (Rs.)	Purchases (Rs.)	Direct cost (Rs.)	Indirect cost (Rs.)
March	1,50,000	90,000	18,000	31,000
April	1,40,000	1,20,000	28,000	35,400
May	1,54,000	84,000	20,800	36,500
June	1,68,000	1,36,000	22,200	36,500
July	1,82,000	1,28,000	30,000	37,000
August	2,04,000	1,51,000	28,000	37,500
September	2,40,000	1,62,000	25,000	38,000

(B) Other information :

1. Bank balance as on 1.4.2015 was Rs.72,000.
2. The loan instalment of Rs. 25, 000 per month is to be paid from July up to December 2015.
3. Sales commission @ 5% on sales is to be remitted to the distributors during July.
4. Rs. 50, 000 is expected to be received as deposit from the distributors during July.
5. 50% of the sales are on credit; period of credit being 1 month.
6. 50% of the materials purchased can be paid after one month.
7. 25% of the indirect cost could be paid in the month following their incidence.
8. Direct cost paid on the first working day of the following month.

(3 × 5 = 15)