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Reg. No..................................

Name.....................................

M.Com. DEGREE (C.S.S.) EXAMINATION, NOVEMBER 2020

Second Semester

Faculty of Commerce

FM02CO8—FINANCIAL MANAGEMENT STRATEGIES

(2012—2018 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 Perpetual Inventory System ?
2. How liquidity notion differs from profitability view ?
3. Give the significance of Safety Stock.
4. What is Factoring ?
5. Narrate the objectives of Financial Management.
6. Write notes on Ageing Schedule.
7. Explain the procedure for evaluating credit applicants.
8. "An investor gains nothing from bonus shares". Explain the statement with your views.

$(5 \times 1 = 5)$

Section B

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

9. "Trade credit is some times called a spontaneous source of short-term funds". Explain the statement. What factors influence the availability of trade credit ?
10. What are the facets to be considered while fixing Re-order level and Average stock level ?
11. Explain critically the Walter formulae of dividend policy.
12. "Working capital management is nothing more than deciding about the level, structure and financing of current assets". Discuss with relevant illustration.

Turn over

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13. Explain the techniques for managing cash outflow. Also discuss the method of determining optimal or Minimum cash balance through illustrations.

14. What do you mean by working capital leverage ? Explain the concept of working capital leverage by means of appropriate example and discuss its properties.

15. Discuss the objectives of Inventory Management. Discuss the factors determining the investment in inventory.

16. What is credit policy ? Mention the types of credit policies with their merits and demerits.

(5 × 2 = 10)

Section C

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

17. "There are two dangerous situations that management should usually avoid in controlling inventories". Explain the statement highlighting the importance of Inventory control.

18. What is the importance of working capital for an organisation? Also state the consequences that would follow if a firm has : (a) shortage of working capital (b) Excess of working capital.

19. "A number of methods have been employed to speed up the collection process and maximise available cash". Elaborate.

20. What is meant by "Dividend" and define it ? Also state the different types of dividends paid by the companies explaining its relative merits and demerits.

21. The W.M. Ltd. proposes to raise its turnover from Rs. 6,00,000 to Rs. 8,40,000 next year and to Rs. 9,60,000 in the succeeding year. It is expected that the purchases will go up from Rs. 1,80,000 to Rs. 2,40,000 and then to Rs. 2,70,000 in the next two years. A steady profit of 10% on turnover is estimated over the years; and the materials, labour and factory overheads are expected uniformly to be 30%, 20% and 30% respectively of total cost of goods sold.

    At the end of each year the raw materials stock would amount to two months consumption, work-in-progress to one month's factory cost and finished goods to half a month's total cost. There is a two months' credit period allowed to customers and received from suppliers.

    The company has a policy of carrying costs equivalent to one month's requirement for payment of labour and other overhead cost. Ignoring prepayments and accrued charges as they normally offset each other, work out an estimate of working capital requirement for all the three years separately. State assumptions, if any.

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22. From the following information available from a company, prepare Cash Budget (monthly) for April, May and June, 2003 :

(i)

Months (2003)	Sales Rs.	Purchases Rs.	Wages Rs.	Expenses Rs.
January (Actuals)	90,000	50,000	30,000	5,000
February (")	80,000	50,000	24,000	4,000
March (")	80,000	45,000	22,000	6,000
April (Budgeted)	85,000	48,000	25,000	7,000
May (")	75,000	42,000	20,000	6,000
June (")	78,000	44,000	23,000	5,000

(ii) 10% of the purchases and 20% of the sales are for cash.

(iii) Credit allowed to Debtors 1/2 month and credit received from creditors 1 month.

(iv) Wages are paid weekly.

(v) Opening cash balance is Rs. 15,000.

(3 × 5 = 15)

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