

FINANCIAL MANAGEMENT

MAY - JUNE : 2015

(New Course -119)

Time : 3 Hours] [Maximum Marks : 90 [Minimum Pass Marks : 32

Note : Attempt all the five questions. All Questions carry equal marks.

Unit - I

1. Define Financial Management. Discuss its scope. What role should the Financial Manager play in modern enterprise? <http://www.prsunotes.com>

Or

The profit maximisation is not an operationally feasible criterion." Do you agree. Illustrate your views.

Unit - II

2. How can a statement of changes in cash flow be prepared? How does it differ from Statement of changes in fund flow?

Or

X Company has made plans for next year. It is estimated that the company will employ total assets of Rs. 8,00,000. 50% of the asset being financed by borrowed capital at an interest of 8% per year. The direct cost for the year are estimated at Rs. 4,80,000 and all other operating expenses are estimated at Rs. 80,000. The goods will be sold to customers at 150% of direct cost. Tax rate is assumed to be 50%. You are required to calculate : <http://www.prsunotes.com>

- (i) Net profit margin (ii) Return on assets
(iii) Asset turnover (iv) Return on owner's equity

Unit - III

3. "Ratios are generally calculated from historical data of what use are they in assessing the firm's future financial condition." Comment.

Or

Prepare :

(a) A statement of changes in financial position on :

- (i) Working capital basis
(ii) Cash basis

(b) A schedule of changes in working capital from the following data : <http://www.prsunotes.com>

Balance Sheet For the year ended on 30th June

Asseets	2011	2012
Cash	15,000	9,000
Marketable securities	15,000	21,000
Debtors	30,000	45,000
Stock	36,000	45,000
Fixed assets net	1,50,000	1,65,000
Other non current assets	24,000	15,000
	2,70,000	3,00,000
	2011	2012
60,000		
Bills Payable	15,000	24,000
Accrued Expenses	6,000	6,000
Tax Payable	9,000	15,000
Long Term Debt	45,000

Share Capital including		
Reserve	1,80,000	2,10,000
	2,70,000	3,00,000

Profit & Loss Account for the year ended 30th June

	Rs.	Rs.
Sales		1,50,000
Expenses :		
Cost of Goods sold	75,000	
Selling, general and administration expenses	15,000	
Depreciation	15,000	
Interest	<u>3,000</u>	<u>1,08,000</u>
Profit before tax	42,000	
Less : Tax		21,000
Profit after tax		21,000
Reserve : 30th June, 2011		1,20,000
Less : Cash dividend		1,41,000
		9,000
Reserved 30th June 2012		1,32,000

Unit IV

4. What is the concept of working capital cycle? Why is it important in working capital management ?
Give an example to explain the operating cycle concept. <http://www.prsunotes.com>

Or

Write short notes on any two of the following :

- (a) Safety stock
- (b) EOQ
- (c) Reorder point

Unit - V

5. How do you calculate accounting rate of return? What are its limitations?

Or

The initial cash outlay of a project is Rs. 1,00,000 and it can generate cash inflow of Rs. 40,000, Rs. 30,000, Rs. 50,000 and Rs.20,000 in year 1 through 4. Assume 10% rate of discount. Calculate profitability index.

<http://www.prsunotes.com>