

# FINANCIAL MANAGEMENT : 2009

## (Old and New Course - 119)

**Note :** Attempt any five questions. All questions carry equal marks.

1. Define Finance Functions. Explain its relationship with other functions in the organisations.
2. Write short notes on the following
  - (i) Comparative statement
  - (ii) Common size statement
3. What is Fund ? Explain the steps involved in preparation of Fund Flow Statement.
4. What is working capital ? Explain the elements of working capital management in detail.
5. Write short notes on the following :
  - (a) Cycle of working capital
  - (b) Working capital forecasting
6. Using the following ratio, fill in the blanks and prepare B/S :

Debt Equity Ratio	—	0.60
Acid Test Ratio	—	1.20
Asset Turnover Ratio	—	1.5
Debtors Turnover Ratio	—	8 times
Gross Profit Ratio	—	20 %
Inventory Turnover Ratio	—	5 times

Balance Sheet item :

Equity Share Capital	—	Rs.40,000
Reserve and Surplus	—	Rs.70,000
7. "Higher the current ratio, the more advantageous it is for the organisation." Do you agree ? Why or why not ?

	Project A	Project B
Initial Outlay	Rs. 10,000	Rs. 20,000
Net Cash inflowing after tax	Year end 1 Rs. 8,000 Year end 2 Rs. 7,000 Year end 3 Rs. 6,000	Year end 1 Rs. 12,000 Year end 2 Rs. 15,000

Assume ARR is 10 % which project should be chosen ?
8. Explain the net present value method of screening a capital budgeting proposal. Explain the decision rule under this method.