

[Aug-11]

**[MPDBA 201/MPDHR 201/CPDCO-201]
MBA (GEN & HRM) & M.Com. DEGREE EXAMINATION**

II YEAR

FINANCIAL MANAGEMENT

(Effective from the admitted batch 2009-10)

Time: 3 Hours

Max.Marks: 70

Instructions: All parts of the unit must be answered in one place only.
Figures in the right hand margin indicate marks allotted.

SECTION-A

1. Answer any **Five** of the following: (5x2=10)

- a) Importance of Accounting
- b) Going concern concept
- c) Cash flow Statement
- d) Elements of cost
- e) Liquidity Ratios
- f) Components of working capital
- g) Types of dividends
- h) Material Variances

SECTION-B

Answer all questions: (5x9=45)

2. a) "Small pencil is better than large memory"-comment on it.
Briefly discuss various accounting concepts with suitable examples and their relevance in current days business environment

OR

- b) Compare and contrast between accounting and financial management with suitable illustrations

Draw up flexible budget for, operating at 90 per cent, and 100 per capacities. If the current total sale in the market is only for 85%, of plant capacity, would you recommend accepting an indent equal to plant capacity utilization of another 10% (i.e. the plant required to operate at 95% capacity) for Rs.55,000? Justify your recommendations

6. a) "Dividend is a part of residual"-do you agree? Why or why not? Briefly explain determinants of dividend and dividend policy

OR

- b) Discuss in nutshell various components of capital structure and outline briefly the importance of capital structure in a large electronics manufacturing company

SECTION-C

7. Case Study (Compulsory): 15

From the following particulars of XYZ Ltd., Faridabad, prepare a Cash Budget for the three months ending 30th June 2009, from the information given below and submit a report to the Management

a)	Month	Sales	Materials	Wage	Overheads
		Rs.	Rs.	Rs.	Rs.
	February	14,000	9,600	3,000	1,700
	March	15,000	9,000	3,000	1,900
	April	16,000	9,200	3,200	2,000
	May	17,000	10,000	3,600	2,200
	June	18,000	10,400	4,000	2,300

- b) Credit terms are:
Sales and debtors-10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month:

Creditors – Materials	2 months
Wages	1/4 month
Overheads	1/2 month

3. a) From the following trial balance taken from M/s. XYZ trading company, prepare Trading and Profit & Loss account and Balance sheet as on date, for the fiscal year ending 31st March 2010

Trial Balance		
Particulars	Debit (Rs.)	Credit (Rs.)
Stock 1-04-2009 (opening stock)	35000	-
Debtors	50000	-
Creditors	-	44000
Purchases	178000	-
Sales	-	320000
Purchases returns	-	24000
Sales returns	34000	-
Furniture	28000	-
Capital	-	250000
Fire insurance premium	4000	-
Rent and rates	10000	-
Printing and Stationery	20000	-
Bills receivables	28000	-
Bills payables	-	32000
Dividend received	-	24000
Wages	20000	-
Salaries	16000	-
Telephone bill	6000	-
Advertising and sales promotion expenses	42000	-
Discount	8000	2000
Investment	120000	-
Interest on investment	-	14000
Audit fee	16000	-
Cash in hand	5000	-
Bank overdraft	-	28000
cash at bank	5000	-
Electricity bill	23000	-
Building	90000	-
Total:	738000	738000

Adjustments:

Closing stock on 31-3-2010 Rs.60000

Provide 10% depreciation on building and 5% on furniture

Interest on investment Rs.6000 due to be received

Provide for doubtful debts on debtors @ 5%

Salaries outstanding Rs.2000

OR

- b) “Analysing ability of business operations in generating cash inflows is one of the major objectives of cash flow statement”, do you agree? Why or why not? Briefly outline how cash flow statement helps the management
4. a) From the following data calculate contribution per unit, breakeven point, sales required to earn profit Rs.30000, profit when sales is 20000 units, margin of safety when sale is 25000 units.

Selling price per unit Rs.15

Variable cost per unit Rs.10

Total fixed cost Rs.50000

OR

- b) Define Inventory management and explain briefly various techniques of inventory management in a large automobile manufacturing company
5. a) “Financial ratios are like clay, one can make idol of God or idol of Devil”-comment on it. Discuss briefly the role ratio analysis is tool and techniques in managerial decision making

OR

- b) A department of Company X attains sales of Rs.6,00,000 at 80% of its normal capacity and its expenses are given below:

Administration Costs (Fixed):

Office salaries	Rs.90,000
General Expenses	2 per cent of sales
Depreciation	7,500
Rates and Taxes	8,750

Selling Costs:

Salaries	8 per cent of sales
Travelling Expenses	2 per cent of sales
Sales Office	1 per cent of sales
General Expenses	1 per cent of sales

Distribution Costs:

Wages (fixed)	Rs.15,000
Rent	1 per cent of sales
Other Expenses	4 per cent of sales

- c) Cash and bank balance on 1st April 2009 is expected to be Rs.6,000
- d) Other relevant information's are:
 - i) Plant and machinery will be installed in February 2009, at a cost of Rs.96,000. The monthly installment of Rs.2,000 is payable from April onwards.
 - ii) Dividend @ 5% on Preference Share Capital of Rs.2,00,000 will be paid on 1st June
 - iii) Advance to be received for sale of vehicles Rs.9,000 in June
 - iv) Dividends from investments amounting to Rs.1,000 are expected to be received in June. Income tax (advance) to be paid in June is Rs.2,000

[26,27,32/II Y/211]