

Roll No.

Subject Code—2146

M. Com. (Part II) EXAMINATION

FINANCIAL MANAGEMENT

MC-204

Time : 3 Hours

Maximum Marks : 100

Note : Attempt *Five* questions. Q. No. 1 is compulsory. All questions carry equal marks.

1. Write short notes on the following :

- (a) Role of Finance Manager in a business organisation
- (b) Cash Budget
- (c) Zero base budgeting
- (d) Hire purchase agreement
- (e) Funds from operations
- (f) Bonus shares
- (g) Projected balance sheet
- (h) Role of SEBI
- (i) Determination of foreign exchange rates
- (j) Methods of Capital Budgeting.

(3-09-6-09)

P.T.O.

2. Define Finance function. Explain various finance decisions. Discuss the interface of finance function with other functional areas of management ?
3. What is the significance of measurement of cost of capital ? Discuss how the cost of equity is measured.
4. Define capital structure. Discuss briefly the various theories of capital structure. Which of these theories explains better the capital structure formation ?
5. A pro forma cost sheet of a company provides the following particulars :

| Elements of Cost | Amount per unit (Rs.) |
|------------------|-----------------------|
| Raw Material | 80 |
| Direct Labour | 30 |
| Overheads | <u>60</u> |
| Total Cost | 170 |
| Profit | <u>30</u> |
| Selling price | 200 |

The following further particulars are available.

Raw materials are in stock on an average for one month. Materials are in process on an average for half a month. Finished goods are in stock on an average for one month.

Credit allowed by suppliers is one month.

Credit allowed to customers is two months.

Lag in payment of wages is $1\frac{1}{2}$ week. Lag in payment of overhead expenses is one month.

One fourth of the output is sold against cash.

Cash in hand and at bank is expected to be Rs. 25,000.

You are required to prepare a statement showing the working capital requirements to finance a level of activity of 1,04,000 units of production.

You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

6. From the following information, make out a statement of proprietors' funds with as many details as possible :

| | |
|-------------------------|------|
| (i) Current Ratio | 2.5 |
| (ii) Liquid Ratio | 1.5 |
| (iii) Proprietary Ratio | 0.75 |

(Fixed Assets/Proprietors' Funds

| | |
|--------------------------|------------|
| (iv) Working capital | Rs. 60,000 |
| (v) Reserves and surplus | Rs. 40,000 |
| (vi) Bank Overdraft | Rs. 10,000 |

7. Explain the various factors which influence the dividend decisions of a firm.
8. Discuss the issue involved in Financial Management of sick units. Explain the role of BIFR in this regard.