

Financial Management.

JKXACT

TIME : 2 Hrs.

MARKS : 60

Instructions :

Solve all 4 questions after considering internal option.

- Q.1**
- i) Explain the various objectives of Financial Management. [5 marks each]
 - ii) Explain Profit Maximization Approach.
 - iii) Explain Investment decision as per Modern Approach to Financial Management.

OR

- Q.1**
- i) Explain Dividend Policy decision as per Modern Approach to Financial Management. [5 marks each]
 - ii) Explain the qualities of a successful Finance Manager.
 - iii) Explain Wealth Maximization Approach.

- Q.2** Given below are the extracts of Financial statements of M/s Anand Ltd. as on 31st March 2010.

Particulars	(Rs.)
1. Closing Stock as on 31/03/2010	31,20,000
2. Debtors	12,00,000
3. Cash in hand and at Bank	16,80,000
4. Bills Receivable	12,00,000
5. Creditors	12,00,000
6. Bank Balance (Credit)	3,60,000
7. Outstanding Expenses	1,20,000
8. Bills payable	6,00,000
9. Total Purchases	96,00,000
10. Cash Purchases	24,00,000
11. Cash Sales	36,00,000
12. Credit Sales	1,44,00,000
13. Gross Profit	54,00,000

You are required to calculate the following ratios.

- 1. Current Ratio
- 2. Quick Ratio

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3. Gross Profit Ratio
4. Debtors Turnover Ratio and Age of Debtors
5. Stock to working capital Ratio.

OR

- Q.2** i) Explain the importance of working capital. [5]
- ii) Boss Ltd. produces 2,70,000 units per year. [10]

The cost statement per unit is as follows :

Particulars	(Rs.)
Raw material	37.50
Direct Labour	22.50
Overheads	15.00
Profit	15.00
Selling Price.	90.00

Additional Information

1. Raw Materials remain in stock for one month.
2. Work-in-Progress to be considered zero.
3. Finished goods remain in stock for two months.
4. Credit allowed to Debtors is two months.
5. Credit allowed by Creditors is one month.
6. The company wants to maintain cash in hand and bank balance equal to one month's raw material cost, two months labour cost and three month's overhead cost.
7. 20% of the sales are cash.

You are required to prepare a statement showing working capital requirement of Boss Ltd.

- Q.3** A Explain the Importance of Funds Flow statement. [5]

B) Chaya Industries Ltd. gives the following Balance Sheet for the year ended 31st March 2009 and 2010 .

Balance Sheet as on 31st March

Assets	2009 Rs.	2010 Rs.
Net Fixed Assets	83,47,500	1,05,97,500
Long Term Investments	6,52,500	-
Inventories	32,40,000	39,60,000
Sundry Debtors	25,95,000	51,22,500
Cash	3,97,500	2,32,500
Total Rs.	1,52,32,500	1,99,12,500
Liabilities	2009 Rs.	2010 Rs.
Equity Share Capital	45,00,000	45,00,000
Reserves and Surplus	51,90,000	64,80,000
Bank Loan	7,50,000	18,75,000
Sundry Creditors	30,97,500	47,02,500
Bills payable	16,95,000	23,55,000
Total Rs.	1,52,32,500	1,99,12,500

You are required to prepare the following :

1. A schedule of changes in working capital .
2. Adjusted Reserve and surplus A/c.
3. Funds Flow statement for the year ended 31st March 2010.

OR

Q.3 From the Balance Sheets given below of Daya Ltd; You are required to prepare comparative Balance sheet in vertical format. [15]

Daya Ltd.

Balancesheet as on 31st March

Liabilities	2009 Rs.	2010 Rs.	Assets	2009 Rs.	2010 Rs.
Equity Share Capital	6,00,000	6,00,000	Fixed Assets	5,00,000	8,00,000
Preference Share Capital	-	4,00,000	Less Depreciation	67,000	80,000
General Reserve	1,37,500	1,72,000		4,33,000	7,20,000
8% Debentures	1,00,000	50,000	Long term Investments	50,000	80,000
Bank Loan	-	2,00,000	Stock	1,20,000	3,00,000
Sundry Creditors	32,500	50,000	Debtors	2,00,000	2,39,000
Provision for Tax	30,000	24,000	Bank	80,000	1,47,000
			Cash	17,000	10,000
	9,00,000	14,96,000		9,00,000	14,96,000

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Q.4 A) Explain Trend Analysis and its advantages. [5]

B) From the following Profit and Loss Account of Anand Ltd. Prepare a commonsize Income Statement in vertical form. [10]

Profit and Loss Account for the year ended 31st March 2010

Particulars	Rs.	Particulars	Rs.
To Opening Stock	40,000	By Sales	8,00,000
To Purchases	4,95,000	By Closing Stock	60,000
To Wages	1,25,000		
To Gross Profit	2,00,000		
	8,60,000		8,60,000
To Salaries	30,000	By Gross Profit	2,00,000
To Rent & Rates	5,000	By Non-operating income	10,000
To Depreciation plant & Machinery 10,000 Office equipments 5,000	15,000		
To Salesmen's Salaries	20,000		
To Salesmen's Commission	5,000		
To Debenture Interest	20,000		
To Provision for Tax	54,000		
To Net Profit	61,000		
	2,10,000		2,10,000

OR

Q.4 Write Short notes on any THREE of the following : [5 marks each]

- Equity share capital
- Debentures
- Uses of cash flow statement
- Short term sources of Finance
- Operating Cycle Concept.

