V.P.M.'s K.G. Joshi College of Arts & N.G.Bedekar College of Commerce, Thane. TYBMS - 5TH SEMESTER

PRELIMINARY EXAMINATION OCT - 2008

TIME: 11.00 a.m. to 1.00 p.m.

MARKS: 60

CODE: 513-A

DATE: 11/10/2008

SUBJECT & PAPER: FIN. MGMT.

instruction: 1] Section I is compulsory.

- 3] Attempt any 3 question out of 5 in Section II
- 2] Figures to the right indicate full marks.

Section - I

Q.1 Answer the following in brief:-

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- a) What is meant by "Letter of Credit"?
- b) What is credit evaluation?
- c) What is the difference between "Gross working Capital" and "Net Working Capital"?
- d) What is meant by financial leverge?
- e) explain in brief the concept of Wealth Maximisation.
- Q.2 The standard ratios for the industry and the ratios of Company 'Z' are given.

 Give your comments on the performance and financial Management of the

 Company Z.

Industry standard Actual of company z i) Net Profit Ratio 3.3% 2.1% ii) Current Ratio 2.4 2.67 iii) Liquid Ratio 1:1 2:1 iv) Proprietory Ratio 0.5:1 0.85:1 v) Debtors Turnover Ratio 60 days 90 days vi) Gross Profit Ratio 25% 20%

- Q.3 A firm has sales of Rs.150 lakhs, variable cost of Rs.84 lakhs and fixed cost of Rs.12 lakhs. It has a debt of Rs.90 lakhs at 9% and equity of Rs.110 lakhs.
 - a) What is the firm's ROI?
 - b) Does it have favourable financial leverage?
 - c) If the firm belongs to an industry whose asset turnover is 2, does it have a high or low asset leverage?
 - d) What is the operating, financial and combined leverage of the firm?
 - e) If the sales drop to Rs.125 lakhs, what will be the new EBIT?
 - f) At what level the EBT of the firm will be equal to zero?

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Section - II

Q.4 From the following prepare Cash budget for the period from 1st March to 31st May when the opening cash balance was Rs.40,000.

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	Month	Sales	Selling	Purchases	Wages	Other
			Expenses			Expenses
ſ	January	340000	14000	160000	30000	30000
	February	320000	15000	168000	32000	33000
	March	564000	13000	166000	36000	25000
-	April	310000	13600	166000	24000	30400
	Мау	330000	14800	152000	36000	34800

- a) Period of credit allowed by suppliers and to customers 1 month
- b) Lag in payment of

Wages

1 month

Selling Expenses

 $1\frac{1}{2}$ month

Other expenses

 $1\frac{1}{2}$ month

- c) Machinery purchased for Rs.1,00,000 in March payable on delivery in April
- d) Commission of 3% on sales payable two months after sales
- Q.5 From the following Balance sheet of Royal Limited, prepare a Common Size Statement in vertical form.

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Balance sheet as on 31st March, 2006

Liabilities	Amount	Assets	Amount
Equity share capital	2,00,000	Goodwill	1,00,000
Preference share capital	1,00,000	Plant & Machinery	1,00,000
General Reserve	20,000	Land & Building	1,40,000
profit & Loss A/c	80,000	Furniture	20,000
Prov. for tax	21,000	Stock	1,20,000
Bills payable	39,000	Bills Receivable	16,000
Creditors	1,00,000	Debtors	40,000
Bank Overdraft	20,000	Bank	44,000
	5,80,000		5,80,000

- Q.6 Explain the method of measuring Cost of Debt Capital cost of preference
 Capital and cost of Equity capital with examples.
- Q.7 What are the principal sources of Long-term Financial needs of a business?
- Q.8 "Fund Flow statements and Cash Flow Statements are similar but not the same" Discuss

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