

TM142130B

Reg. No.....

Name :.....

M. COM. DEGREE (C.S.S.) EXAMINATION, APRIL 2017

Supplementary – (2014 Admission)

SEMESTER II - COMMERCE

COM2FMS – FINANCIAL MANAGEMENT STRATEGIES

Time: Three Hours

Maximum Weight: 30

PART A

I Answer any five questions. Each question carries a weight of 1

1. What do you mean by cash planning?
2. Give sources of bonus issue?
3. What is perpetual inventory system?
4. What is scrip dividend?
5. What is default risk analysis?
6. Distinguish deposit float and bank float.
7. What is working capital budget?
8. What is credit standard?

(5x1=5)

PART B

II Answer any five questions. Each question carries a weight of 2

9. Bonus issue Vs Stock split.
10. What is the significance of stable dividend?
11. What are the motives for holding cash?
12. What do you understand by bonus issue? Explain the circumstances that warrant the issue of bonus shares.
13. Explain the Stochastic model to determine the optimum cash balance.
14. What are the factors influencing size of receivables?
15. A manufacturing company uses Rs.100, 000 materials per year. The administration cost per purchase is Rs.100 and carrying cost is 20% of the average inventory. Calculate the Economic order quantity for the company.
16. A firm sells 40,000 units of its product per annum @Rs. 35 per unit. The average cost per unit is Rs. 31 and the variable cost per unit is Rs. 28. The average collection period is 60 days. Bad debt losses are 3% of sales and the collection charges amount to Rs. 15,000. The firm is considering a proposal to follow a stricter collection policy which would reduce bad debt losses to 1% of sales and the average collection period to 45 days. It would ,however reduce sales volume by 1000 units and increase the collection expense to Rs. 25,000.

The firm's required rate of return is 20%. Would you recommend the adoption of the new collection policy. Assume 360 days in a year for the purpose of your calculation.

(5x2=10)

PART C

III Answer any three questions. Each question carries a weight of 5

17. Explain the tools and techniques of inventory management.
18. Discuss various aspects or dimensions of receivables management.
19. What factors would you take into consideration in estimating the working capital needs of a concern?
20. Ltd. has a capital of Rs. 10 lakhs in equity shares of Rs.100 each. The shares are currently quoted at par. The company proposes declaration of a dividend of Rs. 10 per share at the end of the current financial year. The capitalisation rate for the risk class to which the company belongs is 12%. What will be the market price of the share at the end of the year, if:
- (i) A dividend is not declared?
- (ii) A dividend is declared?
- Assuming that the company pays the dividend and has net profits of Rs. 5, 00,000 and makes new investments of Rs. 10 Lakhs during the period, how many new shares must be issued. Use the MM model.
21. The following is the sales forecast for a corporation. The sales are offered net 30 days. And 80% of receivables are collected in the month following the month of actual sale &10% are collected each month thereafter.15 % of sales are cash sales. You are required to prepare schedule of cash inflows for the months of September, October, November and December.

Month	Sales forecast(in Rs)
July	9,00,000
August	8,00,000
September	7,50,000
October	6,00,000
November	5,80,000
December	5,50,000

22. A proforma cost sheet of a company provides the following particulars:

Elements of cost	
Material	40%
Direct labour	20%
Overhead	20%

The following further particulars are available:

- (a) It is proposed to maintain a level of activity of 2,00,000 units.
- (b) Selling price is Rs12/-per unit
- (c) Raw materials are expected to remain in stores for an average period of one month

- (d) Materials will be in process on an average of half a month and is assumed to be consisting of raw material,wages and overhead.
- (e) Finished goods are required to be in stock for an average period of one month.
- (f) Credit allowed to debtors is two months
- (g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirements,a forecast Profit and Loss Account and Balance Sheet of the company assuming that :

Share Capital	15,00,000/-
8% Debentures	2,00,000/-
Fixed Assets	13,00,000/-

(3x5=15)