

2003

MIS-A 2-104 S.E.M.

FINANCIAL MANAGEMENT

Paper : 204

Full Marks : 70

Time : Three hours

The questions are of equal value.

GROUP - A

Answer any three questions.

✓ 1. "The raising of capital funds and using them for generating returns and paying returns to the suppliers of funds are called the Finance Functions of the firm".

Throw light on the scope of Finance Functions in the above context. 3

✓ 2. Describe the traditional view on the optimum capital structure. Compare and contrast this view with the NoI approach and the NI approach. 674

✓ 3. Enumerate the various sources of long term funds in India with special emphasis on new financial instruments. 971

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Amount per unit

(Rs.)

Material cost of production :

Material

80

Labour

30

Overheads (exclusive of depreciation)

60

Total

170

Additional information :

Price

- Rs. 200 per unit

Production activity

- 1,04,000 units of production per annum

Material in stock

- average 4 weeks ✓

Work-in-progress (assume completion stage)

- average 2 weeks

Finished goods in stock

- average 4 weeks

Inventory allowed by suppliers

- average 4 weeks

Inventory allowed to debtors

- average 8 weeks

Period of payment of wages

- average 1½ weeks

Working capital at Bank is expected to be Rs. 25,000.

You may assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit only.

Examine the appraisal methods to determine the economic worth of investment projects.

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GROUP - B

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Answer any two questions.

5. The following are the summarised Balance Sheets of NEMACC (P) LTD. as on March 31, 2002 and 2003:

LIABILITIES	2002	2003
	Rs.	Rs.
Equity Shares	30,000	35,000
7% Redeemable Preference Shares	10,000	15,000
General Reserve	2,000	1,500
Profit & Loss A/c	1,500	1,200
Debentures	6,000	7,000
Creditors	11,500	12,000
Provision of Taxation	3,000	4,200
Proposed Dividend	4,500	5,000
Bank Overdraft	13,000	7,100
	<u>81,500</u>	<u>88,000</u>
ASSETS	2002	2003
	Rs.	Rs.
Fixed Assets	38,000	36,000
Less: Depreciation	8,000	11,000
	<u>30,000</u>	<u>25,000</u>
Debtors	19,000	23,000
Inventory	31,500	34,500
Prepaid Rent	250	400
Cash	750	5,100
	<u>81,500</u>	<u>88,000</u>

CFS - 4380

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Prepare a Cash Flow Statement showing your working and also assumptions, if any.

Comments; in brief, on the cash flows of the company during year ended 31st March, 2003.

6. Rajesh Textiles Ltd. has owner's equity of Rs. 1,00,000 and the following accounting ratios;

Short term debt to Total debt	=	0.40
Total debt to Owners' equity	=	0.60
Fixed assets to Owners' equity	=	0.60
Total assets turnover	=	2 times
Inventory turnover	=	8 times

Complete the following Balance Sheet from the above information:

CAPITAL & LIABILITIES	Rs.	ASSETS	Rs.
Short term debt	24,000	Cash	60,000
Long term debt	36,000	Inventory	40,000
Total debt	60,000	Total Current Assets	1,00,000
Owners' Equity	1,00,000	Fixed Assets	60,000
Total Capital & Liabilities	1,60,000	Total Assets	1,60,000

7. While preparing a project report on behalf of a client, you have collected the following facts. Estimate the net working capital required for that project. Add 10% to your computed figure to allow contingencies.

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