

[Time: 3.00 Hrs]

[Marks: 75]

Please check whether you have got the right question paper.

Instructions :

1. Q1 (20 marks) & Q8 (15 marks) are compulsory.
2. Attempt Any Four (40 marks) out of Q2, Q3, Q4, Q5, Q6 and Q7.
3. Students have to attempt any four out of the remaining six questions and within each question; students have to attempt any one out of two sub – questions. Each sub – question would carry 10 Marks.
4. Figures to the right indicate full marks.
5. Draw neat diagrams wherever necessary.

Q.1 Read and attempt the following:

(A) Multiple choice question.

10 Marks

1. The field of finance is closely related to the fields of:
 - A. statistics and economics
 - B. statistics and risk analysis
 - C. economics and accounting
 - D. accounting and comparative return analysis
2. Which of the following properly lists balance sheet items in order of liquidity, from most liquid to least liquid?
 - A. Accounts receivable, inventory, marketable securities, cash.
 - B. Cash, marketable securities, accounts receivable, inventory.
 - C. Inventory, marketable securities, cash, accounts receivable.
 - D. Cash, inventory, accounts receivable, marketable securities.
3. Amortization is considered a source of funds to the firm because:
 - A. it is purely an accounting entry and doesn't involve a direct disbursement of funds, freeing up these funds for other investments
 - B. it represents a reduction in asset holdings
 - C. it represents an increase in an asset account
 - D. amortization is not a source of funds
4. Profitability ratios measure:
 - A. the speed at which the firm is turning over its assets
 - B. the ability of the firm to earn an adequate return on sales, total assets, and invested capital
 - C. the firm's ability to pay off short term obligations as they are due
 - D. the debt position of the firm in light of its assets and earning power

5. Receivables turnover is:

- A. A) a profitability ratio
- B. a debt utilization ratio
- C. an asset utilization ratio
- D. a liquidity ratio

6. Financial ratios are used to:

- A. weigh and evaluate the operating performance of the firm
- B. provide an absolute benchmark of industry performance
- C. determine which firm will provide the highest return to investors
- D. None of the above are correct

7. The construction of the pro forma income statement is based on:

- A. the prior year's income statement
- B. sales projections and the production plan
- C. the cash budget
- D. the cash budget and prior year's income statement

8. The primary purpose of the cash budget is:

- A. to break the income statement down into monthly periods
- B. to determine monthly cash receipts
- C. to determine the collection pattern
- D. to allow the firm to anticipate the need for outside funding

9. Operating leverage may be defined as:

- A. the degree to which debt is used in financing the firm
- B. the difference between price and variable costs
- C. the extent to which capital assets and fixed costs are utilized
- D. the difference between fixed costs and the contribution margin

10. Financial leverage:

- A. reflects the firm's commitment to fixed, financial assets
- B. has no impact on the earning of the firm
- C. reflects the amount of debt used in the capital structure of the firm
- D. primarily affects the left side of the balance sheet

(B) State whether True or false.

10Marks

1. Financial managers of today have fewer responsibilities than their counterparts of the early 20th century.
2. Rapid technological change and worldwide economic uncertainty are factors that may affect the job of the financial manager
3. A goal or objective is a necessary first step for effective financial management.
4. Deciding on the total amount of assets needed by the firm is a key step in the investment decision
5. The goal of the firm should be to maximize earnings per share.
6. In a large corporation, the firm's owners are usually also its top managers
7. Corporate management, acting as the owners' agent, makes all decisions in the owners' best interests.
8. Maximizing the price of a share of the firm's common stock is the equivalent of maximizing the wealth of the firm's present owners.
9. Corporate Social Responsibility (CSR) is usually in conflict with the objective of shareholder wealth maximization.
10. The price of a share of common stock acts as a barometer indicating how well management is doing on behalf of shareholders.

Q.2 Attempt any one of the following:

10 Marks

A) The following Trading & P&L Account of SWS Ltd for the year ended 31st March, 2000 is given below:

Particular	Rs.	Particular	Rs.
To Opening Stock	76,250	By Sales	5,00,000
“Purchases	3,15,250	“Closing stock	98,500
“Carriage and Freight	2,000		
“Wages	5,000		
“Gross Profit b/d	<u>2,00,000</u>		
	<u>5,98,500</u>		
			<u>5,98,500</u>
To Administration expenses	1,01,000	By Gross Profit b/d	
“Selling and Dist. Expenses	12,000	“Non-operating incomes:	2,00,000
“Non-operating expenses	2,000	“Interest on Securities	1,500
“Financial Expenses	7,000	“Dividend on shares	3,750
Net Profit c/d	<u>84,000</u>	“Profit on sale of shares	<u>750</u>
	<u>2,06,000</u>		<u>2,06,000</u>

Calculate:

1. Gross Profit Ratio
2. Expense Ratio
3. Operating Ratio
4. Net Profit Ratio
5. Operating Net Profit Ratio
6. Stock Turnover Ratio.

B) What are the objective of Financial Management?

Q.3 Attempt any one of the following: **10 Marks**

(A) From the following information of Rani Ltd:

Averages raw materials and stores 200

Average WIP inventory 300

Average finished goods inventory 180

Average accounts receivable 300

Average accounts payable 180

Average raw materials and stores purchase on credit and consumed per day 10

Average WIP value of raw materials committed per day 12.5

Average cost of goods sold per day 18

Average sales per day 20

You are require to calculate:

Duration of raw material stage

Duration of WIP stage

Duration of Finished goods stage

Duration of accounts receivable stage

Duration of accounts payable stage, and Duration of operating cycle.

B) Explain working capital cycle.

Q.4 Attempt any one of the following: **10 Marks**

(A) Difference between financial management and financial planning

(B) Explain Advantages of capital budgeting.

Q.5 Attempt any one of the following: **10 Marks**

(A) Explain short term Source of finance

(B) Explain Long term sources of finance.

Q.6 Attempt any one of the following: **10 Marks**

(A) What are the approaches to financial planning?

(B) State different types of financial statements and state its components

Q.7 Attempt any one of the following: **10 Marks**

(A) What do you mean by borrowed fund? Explain different types of borrowed funds.

(B) Evaluate Theory of Operating Net Income Approach

- Q.8 Write short notes on (any three) 15 Marks
- (A) Budget approach
 - (B) Vertical Income Statement
 - (C) Cash flow projection
 - (D) Payback Period Method
 - (E) Net Present Value Method
