

Roll No.

DD-989

Bachelor of Business Administration (Fourth Semester) EXAMINATION, May/June, 2020

FINANCIAL MANAGEMENT

(119)

Time : Three Hours

Maximum Marks : 90

Minimum Pass Marks : 32

Note : Attempt all the *five* questions. *One* question from each Unit is compulsory. All questions carry equal marks.

Unit—I

1. What do you understand by Financial Management ? Explain the functions, importance and limitations of financial management.

Or

Distinguish between Management Accounting and Financial Accounting. How does Management Accounting help in decision-making ?

Unit—II

2. What are the various methods of presenting Cash Flow Statement as per AS-3 ? Discuss its direct method.

(A-66) P. T. O.

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Or

The Balance Sheet of Bright Ltd. at the end of 2015 and 2016 are follows :

| Liabilities | 2015 (₹) | 2016 (₹) |
|----------------------|-------------|-------------|
| Pref. Share Capital | 70,000 | 75,000 |
| Equity Share Capital | 1,30,000 | 1,75,000 |
| Creditors | 1,00,000 | 70,000 |
| P/L A/c | 20,000 | 30,000 |
| | 3,20,000 | 3,50,000 |

| Assets | 2015 (₹) | 2016 (₹) |
|-----------------------|-------------|-------------|
| Plant and Machinery | 50,000 | 60,000 |
| Furniture and Fixture | 20,000 | 75,000 |
| Stock | 80,000 | 50,000 |
| Debtors | 70,000 | 85,000 |
| Cash | 1,00,000 | 80,000 |
| | 3,20,000 | 3,50,000 |

You are required to prepare a statement of working capital changes and a statement of fund flow from the above data.

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Unit—III

3. Explain and illustrate the following Ratios in the interpretation of financial statements :

- (a) Current Ratio
- (b) Gross Profit Ratio
- (c) Stock Turnover Ratio
- (d) Operating Ratio

Or

The following data are available in respect of Rama Ltd. :

| | |
|--------------------------------------|------------|
| Profit before tax | ₹ 2,44,600 |
| Tax Rate | 60% |
| Proposal Dividend | 20% |
| Market Price of equity shares | ₹ 20 |
| Capital consists of : | |
| 9% preference shares of ₹ 1,00,000 | |
| Equity share of ₹ 10 each | ₹ 3,00,000 |
| Reserve at the beginning of the year | ₹ 2,20,000 |

You are required to compute with reference to equity shares :

- (i) Earnings per share
- (ii) Book value per share
- (iii) Earnings yield ratio
- (iv) Dividend payment ratio

Unit—IV

4. Explain the meaning of working capital management. Describe the various dimensions of working capital.

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Or

From the data given below, prepare working capital forecast :

Budgeted Sales (₹ 20 per unit) ₹ 5,20,000 p. a.

Analysis of one rupee sales :

| | |
|---------------|-------------|
| Raw Materials | ₹ 0.30 |
| Labour | 0.40 |
| Overhead | 0.20 |
| Profit | 0.10 |
| | <u>1.00</u> |

It is estimated that :

- Raw materials are kept in stock for 3 weeks and finished goods for 2 weeks.
- Factory processing will take 3 weeks.
- Suppliers will give 5 weeks credit and customers will required 8 weeks credit.

It may be assumed that wages and overheads accrue evenly throughout the year.

Unit—V

5. Write short notes on any *two* of the following :

- Methods of capital budgeting
- Factors affecting capital expenditure decision
- Scope and importance of capital budgeting

Or

Shyam and Co. is considering the purchase of a machine A and B are available, each costing ₹ 50,000.

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Earning after taxation and before dep. are expected to be as under :

| Year | Machine A (₹) | Machine B (₹) |
|------|------------------|------------------|
| 1 | 15,000 | 5,000 |
| 2 | 20,000 | 15,000 |
| 3 | 25,000 | 20,000 |
| 4 | 15,000 | 30,000 |
| 5 | 10,000 | 20,000 |

Evaluate the two alternatives according to :

- Pay-back period method
- Return on investment method (average investment)

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