

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.

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Or

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

| Liabilities          | 2015<br>(₹) | 2016<br>(₹) |
|----------------------|-------------|-------------|
| 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<br>(₹) | 2016<br>(₹) |
|-----------------------|-------------|-------------|
| 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 :

- (a) Raw materials are kept in stock for 3 weeks and finished goods for 2 weeks.
- (b) Factory processing will take 3 weeks.
- (c) 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 :

- (i) Methods of capital budgeting
- (ii) Factors affecting capital expenditure decision
- (iii) 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<br>(₹) | Machine B<br>(₹) |
|------|------------------|------------------|
| 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 :

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

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