

Reg. No..... Name.....

M.COM. DEGREE END SEMESTER EXAMINATION APRIL 2017

SEMESTER - 2: COMMERCE

COURSE: 15P2COMT08- FINANCIAL MANAGEMENT STRATEGIES

(For Supplementary - 2015 Admission)

Time: Three Hours

Max. Marks: 75

Section - A

Answer all questions. Each question carries 2 marks

1. What is hard core working capital?
2. What is a growth firm?
3. What is lock-box system?
4. What is default risk?
5. What is reverse split?
6. What is undisclosed factoring?
7. What is VED Analysis?
8. What do you mean by operating cycle?
9. What is aggressive working capital strategy?
10. Write note on EOQ.

(2 x 10 = 20)

Section - B

Answer any five questions. Each question carries 5 marks

11. Explain the principal motives for holding cash.
12. Write a note on Pareto Analysis.
13. What is conservative dividend policy?
14. Write short note on ageing schedule of debtors.
15. Calculate the market price of Citizen Watches Ltd. under Walter's model.

EPS	-	Rs. 4
DPS	-	Rs. 2.50
Cost of capital	-	16%
IRR	-	18%

16. A manufacturing company has an expected usage of 50,000 units of certain product during the next year. The cost of processing an order is Rs. 20 and the carrying cost per unit is Rs. 0.50 for one year. Lead time on an order is 5 days

and the company will keep a reserve supply of 2 days usage. You are required to calculate the EOQ.

17. What do you mean by accelerating cash inflows?

18. Mention the costs associated with maintaining receivables.

(5 x 5 = 25)

Section - C

Answer any two questions. Each question carries 15 marks

19. Define factoring. Explain various types of factoring services.

20. The Board of Directors of Remya Prubhu Ltd. requests you to prepare a statement showing the working capital requirements forecast for a level of activity of 1,56,000 units of production. The following information is available for your calculation.

(Rs. per unit)

Raw materials	90
Direct labour	40
Overheads	75
	<hr/>
	205
Profit	60
Selling price per unit	<hr/>
	265

(a) Raw materials are in stock on an average 1 month.

(b) Materials are in process, on average 2 weeks.

(c) Finished goods are in stock, on average 1 month.

(d) Credit allowed by suppliers- 1 month.

(e) Time lag in receipt from debtors - 2 months.

(f) Lag in payment of wages - 1 ½ weeks.

(g) Lag in payment of overheads - 1 month.

20% of the output is sold in cash. Cash in hand and at bank is expected to be Rs. 60,000 in the beginning. It is to be assumed that production is carried

on evenly throughout the year. Wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

21. Critically evaluate MM theory of dividend.

22. A company is considering a selective inventory control using the following data:

Item	Units	Unit cost (Rs.)
1	6,000	4.00
2	61,200	0.05
3	16,800	2.10
4	3,000	6.00
5	55,800	0.20
6	22,680	0.50
7	26,640	0.45
8	14,760	0.40
9	20,520	0.40
10	90,000	0.10
11	29,940	0.30
12	24,660	0.50

Assuming the ABC analysis of selective control, arrange the data for presentation to the management.

(2 x 15 = 30)
