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6923

Name of the Candidate :

M.B.A. DEGREE EXAMINATION MAY 2014.**(APPLIED MANAGEMENT)****(FIRST YEAR)****160 — FINANCIAL MANAGEMENT**

Time : Three hours

Maximum : 75 marks

SECTION A**Answer any FIVE questions.****(5 × 3 = 15)****All questions carry equal marks.**

1. Discuss in detail the possible users of accounting information.
2. What do you understand by 'depreciation' and 'depreciable assets'?
3. How the assets of business are valued for balance sheet purposes?
4. Explain in detail the limitations of Accounting Ratios.
5. What are essentials of an ideal Accounting Report?
6. Distinguish between marginal cost and direct cost.
7. Explain the concept of Net Present Value.
8. What do you mean by gross working capital?

SECTION B**Answer any THREE questions.****(3 × 10 = 30)****All questions carry equal marks.**

9. What do you understand by :
 - (a) Adjusting entries
 - (b) Prepaid expenses
 - (c) Debit notes
 - (d) Bad debts.
10. Explain the factors determining the capital structure of a company.

11. "Wealth maximisation" is an important objectives of financial management – Explain briefly.
12. Explain the role of financial planning in financial management.
13. The following are the summarised Profit and Loss A/c for the year ending 31st March 2012.

Trading and Profit and Loss Account

	₹		₹
To Opening stock	10,000	By Sales	1,00,000
To Purchases	50,000	By Closing stock	15,000
To Direct expenses	5,000		
To Gross profit	50,000		
	<u>1,15,000</u>		<u>1,15,000</u>
To Admn. expenses	15,000	By Gross profit	50,000
To Financial expenses	3,000		
To Selling expenses	12,000		
To Net profit	20,000		
	<u>50,000</u>		<u>50,000</u>

Calculate :

- (a) Gross profit ratio
- (b) Net profit ratio
- (c) Operating ratio
- (d) Operating profit ratio
- (e) Expenses ratio.

SECTION C

Answer any ONE questions.

(1 × 15 = 15)

14. Define and explain briefly, what do you understand by
 - (a) Sales budget
 - (b) Materials budget
 - (c) Labour budget
 - (d) Overhead budget.
15. What is meant by cost-volume-profit analysis? Explain its importance.

16. From the following balance sheet of a company prepare a statement of changes in working capital.

Liabilities	31 st Dec. 2011 ₹	31 st Dec. 2012 ₹	Assets	31 st Dec. 2011 ₹	31 st Dec. 2012 ₹
Creditors	45,000	50,000	Goodwill	5,000	10,000
Bills payable	35,000	20,000	Cash	70,000	25,000
Loans	20,000	–	A/cs receivable	90,000	98,000
Share capital	1,50,000	1,25,000	Closing stock	1,20,000	87,000
P & L a/c	75,000	60,000	L. T. investments	10,000	15,000
			Land	27,000	15,000
			Preliminary expe.	3,000	5,000
	<u>3,25,000</u>	<u>2,55,000</u>		<u>3,25,000</u>	<u>2,55,000</u>

SECTION D

(Compulsory)

(1 × 15 = 15)

17. The following are the cash flows and out flows of a certain project.

Year	Outflows ₹	Inflows ₹
0	1,50,000	
1	30,000	30,000
2		30,000
3		50,000
4		60,000
5		40,000

The salvage value at the end of 5 year is ₹ 40,000. Taking the cut off rate as 10%. Calculate the Net Present Value (NPV).

Year :	1	2	3	4	5
PV factor at 10% :	0.909	0.826	0.751	0.683	0.621