

F 4839

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**FIVE YEAR B.B.A., LL.B. (HONOURS) DEGREE EXAMINATION  
NOVEMBER 2023**

**Fifth Semester**

**FB 13—FINANCIAL MANAGEMENT**

(2020 Admissions—Regular/2018 and 2019 Admissions—Supplementary)

Time : Three Hours

Maximum : 75 Marks

**Part A**

*Answer any five questions.*

*Each question carries 3 marks.*

1. Mention any two factors affecting the size of investment in receivables.
2. Name the tools used for financial statement analysis.
3. Give the concept of profit maximization.
4. What are solvency ratios ?
5. What is a comparative statement ?
6. Why are cash holdings necessary ?

(5 × 3 = 15 marks)

**Part B**

*Answer any three questions.*

*Each question carries 10 marks.*

7. Explain the factors that influence the planning of capital structure of a company.
8. Discuss the nature and scope of finance function.
9. State the significance of common size statement. Using imaginary figures illustrate a common size statement and judge your analysis.
10. From the following information extracted from the book of Max Ltd. for the year 2019-calculate net cash flow from investing activities :

<i>Particulars</i>	Rs.	Rs.
Furniture	... 1,00,000	1,20,000
Machinery	... 15,00,000	18,00,000
Building	... 20,00,000	19,80,000
Land at cost	... 18,00,000	16,00,000
Investment long term	... 90,000	2,10,000

Turn over

Additional information is given as follows :

- Depreciation charged on furniture during the year was Rs. 10,000.
- Depreciation on machinery charged during the year was Rs. 25,000.
- Machinery, the book value of which was \$80,000, sold for Rs. 75,000.
- Land was sold at a profit of Rs. 90,000.

(3 × 10 = 30 marks)

### Part C

Answer any two questions.

Each question carries 15 marks.

- Discuss the concept of working capital and elaborate its determinants.
- From the following information, prepare a summarized Balance Sheet on 31st March 2019 :

Particulars	Rs.	Ratio
Working capital ...	1,20,000	
Reserves and Surplus ...	80,000	
Bank overdraft ...	20,000	
Proprietary Ratio ...		0.75
Current Ratio ...		2.5
Liquid ratio ...		1.5

Hint : Proprietary ratio is fixed assets to shareholders fund.

- The extract of the Balance Sheet of KRA Ltd. as on 31-3-2019 and 31-03-2020 are given below :

Particulars	31-03-2019	31-03-2020
Share capital ...	4,00,000	5,00,000
Capital reserve ...	—	20,000
General reserve ...	1,80,000	2,10,000
P & L Account ...	70,000	90,000
Debentures ...	3,00,000	2,00,000
Current Liabilities ...	1,30,000	1,20,000
Provision for taxation ...	80,000	60,000
Proposed dividend ...	40,000	50,000
<b>Total</b> ...	<b><u>12,00,000</u></b>	<b><u>12,50,000</u></b>
Fixed Assets ...	10,00,000	10,00,000
(Less accumulated depreciation) ...	(2,60,000)	(3,10,000)
	7,40,000	6,90,000
Trade investments ...	1,10,000	90,000
Current assets ...	3,20,000	4,50,000
Preliminary expenses ...	30,000	20,000
<b>Total</b> ...	<b><u>12,00,000</u></b>	<b><u>12,50,000</u></b>

**Additional information :**

- (a) Sold one machine for Rs. 40,000, the cost of which was Rs. 80,000 and depreciation provided on it was Rs. 30,000.
- (b) Depreciation was provided for Rs. 1,00,000.
- (c) Redeemed the debenture at Rs. 105.
- (d) Sold some trade investments at a profit which was credited to capital reserve.
- (e) Decided to write-off fixed assets (fully depreciated) costing Rs. 20,000.
- (f) Decided to value opening stock at cost which was valued previously at cost less 10 %. The opening stock according to book was Rs. 63,000. The closing stock was correctly valued at cost.

**Prepare a statement of sources and application of fund for the year ended 31-03-2020, showing the changes in working capital.**

**(2 × 15 = 30 marks)**