

Course Code <b>MCO - 06</b>
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**Term End Examination - December, 2019**

## FINANCIAL MANAGEMENT

Master of Commerce (MCOM)

*Time : 3 hours**Full Marks : 100**The figures in the right-hand margin indicate marks*Answer **all** Groups as directed

## Group—A

1. Answer *all* the questions, each within *1* word or *1* sentence : 1×10=10
  - (a) What is the only feasible purpose of financial management?
  - (b) Determine Contribution ,if Sales is Rs. 1,50,000 and P/V ratio is 40%.
  - (c) If the nominal rate of interest is 10% per annum and there is quarterly compounding. What would be the effective rate of interest?
  - (d) Net working capital refers to Current Assets less what?

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- (e) What is the formula for dividend pay-out Ratio?
- (f) What is the term used to describe Minimum stock level below which actual stock is not allowed to fall?
- (g) What is the full form of EOQ?
- (h) In A B C analysis/system, B items typically represent what percentage of total items?
- (i) Cost of insurance and taxes are included in which cost in inventory management?
- (j) The Period in which the investment made for the project is recovered by the net returns of the project is known as what period?

Group—B

2. Answer any *four* questions each within 100 words : 5×4=20

- (a) What is Commercial Paper? What are its uses and benefits?

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- (c) Sambalpur Traders, sales goods on hire-purchase basis. The hire-purchase price was cost plus 50%. Following are the particulars for 2018.

→ Goods sold on hire purchase (Selling Price): Rs.30,000/-

→ Cash received from customers: Rs.18,000/-

→ Instalments due on 31.12.2018: Rs.1,000/-

→ Instalments not yet due on 31.12.2018: Rs.11,000/-

Prepare hire-purchase trading account, Goods sold on Hire-Purchase Account, Instalments due A/c and Stock Reserve Account.

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- (e) Discuss the important features of 'Leasing and Hire-Purchasing'.
- (f) "The real test of financial management is managing working capital". Do you agree? Justify.

Group—D

4. Answer any *two* questions each within 300 words :  $15 \times 2 = 30$

- (a) Explain the major sources of long-term and short-term finance.
- (b) Hirakhand Ltd. made a profit of Rs. 1,00,000 after charging depreciation of Rs. 20,000 on assets and a transfer to general reserve of Rs. 30,000. The goodwill amortized was Rs. 7,000 and gain on sale of machinery was Rs. 3,000. Other information available to you (changes in the value of current assets and current liabilities) are trade receivables showed an increase of Rs. 3,000; trade payables an increase of Rs. 6,000; prepaid expenses an increase of Rs. 200; and outstanding expenses a decrease of Rs. 2,000. Ascertain cash flow from operating activities.

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- (b) What is Cash Management Service? Discuss its merits.
- (c) What is Inventory Turnover Ratio? What does it indicate?
- (d) What is capital structure? What are its features?
- (e) What is Purchasing Power Parity? Explain in brief.
- (f) How and why do you calculate the debt service coverage ratio?

Group—C

3. Answer any *four* questions each within 200 words :  $10 \times 4 = 40$

- (a) Distinguish between cash flow and funds flow.
- (b) Discuss the intricacies of currency swapping.
- (c) Discuss the role of a Finance Manager in a large manufacturing concern.
- (d) What is project financing? What are its requirements?

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(Turn Over)