

2013

(December)

COMMERCE

Paper : 201

(Financial Management)

Full Marks : 80

Time : 3 hours

*The figures in the margin indicate full marks
for the questions.*

Answer the following :

1. (a) Give an overview on the evolution of
Financial management. 16

OR

- (b) Elucidate the assumptions underlying the
financial objectives. 16

2. (a) From the following balance sheet of A limited, prepare a comparative Balance sheet with comments. 16

Liabilities	2012 Rs	2013 Rs	Assets	2012 Rs	2013 Rs
Share Capital			Field Assets	5,00,000	8,00,000
Equity Share Capital	6,00,000	6,00,000	Depreciation	67,000	80,000
Preference Share Capital		4,00,000		4,33,000	7,20,000
Reserves & Surplus :			Investments (at cost)	50,000	80,000
General Reserve	57,500	90,000	assets		
profit and loss A/c	80,000	82,000	Stock	1,20,000	3,00,000
Secured Loan :-			Debtors	2,00,000	2,39,000
8% Debentures	75,000	50,000	Bank	80,000	1,20,000
Bank Loan	25,000	2,00,000	Cash	17,000	37,000
Current liabilities:					
Sundry Creditors	25,000	50,000			
Outstanding expenses	7,500	3,000			
Provision for tax	30,000	21,000			
Total	9,00,000	14,96,000		9,00,000	14,96,000

Or

- (b) Why is it necessary to calculate the profitability ratios in relation to Sales ? Illustrate your answer. 16

3. (a) The AB Industries Limited has 9,00,000 shares outstanding at current market price of Rs 130 per share. The company needs Rs 2.25 corers to finance its proposed modernisation-cum-expansion project. The board of the company has decided to issue rights for raising the required money. The subscription (issues) price (P_s) has been fixed at Rs. 75 per share. The subscription price has been set below the market price to ensure that the rights issue is fully subscribed. How many rights required to purchase a new share ? What is the value of a right ? 16

Or

- (b) How does a term loan differ from a non-convertible debenture ? 16

4. (a) In addition to trade credit, accrued expenses and deferred income are other spontaneous sources of short term financing. Justify your answer. 16

OR

- (b) Illustrate captive finance companies in relation to short term financing. 16

5. (a) Elucidate the players in derivatives trading and the functions of Future markets. 8+8=16

OR

- (b) How far over the counter exchange of India is able to fulfil the needs of the small companies. 16
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