**School of Management and Social Sciences (Dept. of Business Administration)**

**Course Title: Financial Management**

**Instructor: Ms. Marium Saleem**

**Total marks=50**

**Attempt ALL the questions. Solve the questions in MS word and then upload the document on SIC as an assignment.**

**ABC CORPORATION COMPARATIVE BALANCE SHEET AT DECEMBER 31(IN MILLIONS)**

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| **ASSETS 20X1 20X2 LIABILITIES 20X1 20X2**  |
| Cash $5 $3 Accounts payable $5 $8 Account receivable 15 22 Note payable 20 0  Inventories 12 17 Accrued Wages 2 2 Accrued taxes 3 5 Net fixed assets 52 55 Long-term debt 0 15  Other assets 10 5 Common stock 20 26  Retained earnings 40 44 Total assets $94 $102 Total $90 $100   |
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**ABC CORPORATION INCOME STATEMENT 20X2(IN MILLIONS)**

Sales $48

Cost of goods sold $25

Selling, general and administration expense 5

Depreciation 5

Interest expense 2 37

Net Profit before taxes $11

Less: Taxes 6

Net income 5

Add: Retained Earnings at 12/31/X1 40

Subtotal 45

Less: Dividends 3

Retained earnings at 12/31/X2 $44

Q1. Prepare a sources and uses of funds statement for ABC Corporation. (14 marks)

Q2. Using the data from Q1 prepare a cash flow statement using the indirect method for ABC Corporation. (15 marks)

Q3. (a) A company has to produce 100,000 units of output. It has to choose among three policies i.e. policy A, B & C. Policy A proposes to maintain current assets of worth 12 lacs, policy B of 10 lacs and policy C of 6 lacs. Which policy must the company choose if it has to increase liquidity, profitability and decrease risk? And why? (6 marks)

(b) Briefly explain the maturity matching approach with an example. (3+2=5 marks)

Q4. (a) Briefly explain permanent working capital with an example. (3+2= 5 marks)

(b) Briefly explain the significance of working capital management (5 marks)