



B.Com. (Semester – VI) (New Course) Examination, April 2016
BUSINESS MANAGEMENT (Major – II)
Financial Management

Duration : 2 Hours

Total Marks : 80

- Instructions :** 1) Q. No. 1 is **compulsory**.
2) Answer **any 3** questions from Q. 2 to Q. 6.
3) Figures to the **right** indicate **full** marks.

1. Write short notes on **any four** : (4×5=20)
- a) Gordon's Model of Dividend.
 - b) Techniques of slowing disbursements.
 - c) Decision areas in receivables management.
 - d) Cost of holding inventory.
 - e) Concepts of working capital.
 - f) Objectives of inventory management.
2. a) A proforma cost sheet of Surya Ltd., provides the following information. You are required to estimate the working capital needed to finance a level of activity of 52,000 units of production.

Elements of Cost	Cost per unit (Rs.)
Raw Materials	40
Direct Labour	15
Overheads	30
Total Cost	85
+ Profit	30
Selling Price	115

Additional Information :

- 1) Average raw material in stock : one month.
- 2) Average materials in process half a month (assume 100% completion stage for materials and 50% each for wages and overheads).



- 3) Average finished goods in stock : one month.
- 4) Credit allowed by suppliers : one month.
- 5) Credit allowed to customers : two months.
- 6) Time lag in payment of wages : one and half weeks.
- 7) Time lag in payment of overheads : one month.
- 8) Half of the sales are on cash basis.
- 9) Cash balance is expected to be Rs. 12,500.

You may assume that production is carried out evenly throughout the year and wages and overheads accrue similarly. (Period of one month is equal to 4 weeks).

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- b) What are the motives of holding cash ?

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3. a) A company is expecting to have Rs. 2,50,000 cash in hand on 1st April, 2010 and it requires you to prepare cash budget for the period of three months April to June 2010.

Month	Sales	Purchases	Wages	Expenses
February	7,00,000	4,00,000	80,000	60,000
March	8,00,000	5,00,000	80,000	70,000
April	9,20,000	5,20,000	90,000	70,000
May	10,00,000	6,00,000	1,00,000	80,000
June	12,00,000	5,00,000	1,20,000	90,000

Additional Information :

- 1) Cash sales are 25% of total sales.
 - 2) Period of credit allowed to customers is one month.
 - 3) Period of credit allowed by suppliers is two months.
 - 4) Delay in payment of wages and expenses is one month.
 - 5) Income tax Rs. 2,50,000 is to be paid in June 2010.
- b) Explain in brief sources of working capital.

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4. a) Shexilla products has sales of 2,00,000 units per year. Inventory carrying costs are Rs. 50 per unit per year and ordering costs are Rs. 500 per unit. Determine Economic Order Quantity. 5
- b) Two components P and Q are used as follows :
Normal usage 1000 units per week each
Re-ordering Quantity :
P – 20,000 units
Q – 8,000 units
Re-ordering period :
P – 4 to 6 weeks
Q – 2 to 4 weeks
Minimum usage – 2000 units per week each
Maximum usage – 3000 units per week each
You are required to calculate the following for each of the components :
1) Re-order level.
2) Minimum stock level.
3) Maximum stock level.
4) Average stock level. 10
- c) Write note on "Irrelevance theory of dividend". 5
5. a) Explain the determinants of dividend policy. 10
b) Write short notes on :
1) Factors influencing the sizes of receivables.
2) ABC analysis. 10
6. a) Explain the meaning and costs associated with receivable management. 10
b) Write short notes on :
1) Importance of working capital.
2) Factors determining cash needs. 10
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