



B.Com. (Semester – VI) (Old Course) Examination, April 2017
BUSINESS MANAGEMENT (Major – II)
Financial Management – II

Duration : 2 Hours

Total Marks : 80

Instructions : 1) Question number 1 is **compulsory**.2) Answer **any three** questions from the rest choosing at least **one** from Question No. 2 or Question No. 3.3) **All** questions carry **equal** marks.4) Figures to the **right** indicate **full** marks.5) **All** workings should form part of your answer.

1. Write short notes in (any four) :

(5×4=20)

- a) ABC analysis.
- b) Gordon's model of dividend.
- c) Importance of working capital for a company.
- d) Techniques of slowing disbursements.
- e) Objectives of receivable management.
- f) Lock-Box System.

2. a) The following is the income statement of a company for the year ending 31st March, 2016.

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Particulars	Amount (Rs.)	Amount (Rs.)
Sales (Credit 3 months)		18,00,000
Less : Expenses		
Purchases (Credit 2 months)	8,40,000	
Wages (Outstanding half month)	1,26,000	
Factory rent (Payable quarterly in advance)	1,04,000	
Factory expenses (Outstanding for one month)	1,44,000	
Office expenses (Outstanding for two months)	48,000	
Managing Director's salary (Outstanding for six months)	1,20,000	
Total expenses		13,82,000
Profit		4,18,000

P.T.O.

**Additional Information :**

- Average investment in stock of raw-materials and work-in-progress is expected to be Rs. 1,20,000 and 75,000 respectively.
- Average investment in stock of finished goods is expected to be Rs. 85,000 and bank overdraft limit sanctioned from the bank is Rs. 50,000.

Prepare a statement of working capital requirement for the company for the Year ending 31st March, 2016.

- b) List out the assumptions of Miller and Modigliani model regarding dividend. **5**
3. a) A company manufactures a product which has a monthly demand of 4000 units. The purchase price of the materials used in the manufacture of the product is Rs. 40 per kg. The ordering cost is Rs. 120 per order and the inventory holding cost is 5% per annum. Calculate the Economic Order Quantity. **5**
- b) The following data is taken from the books of a company for the year ending 31st March, 2016. **10**
- Normal usage 500 units per week
 Minimum usage 250 units per week
 Maximum usage 750 units per week
 Re-order period 4 to 6 weeks
 Re-order quantity 200 units
 Calculate the following :
- Re-order level.
 - Minimum stock level.
 - Maximum stock level.
 - Average stock level.
- c) Explain the motives of holding cash for a company. **5**
4. a) Explain the factors affecting the requirement of working capital for a company. **10**
- b) Explain the determinants of dividend policy. **10**
5. a) What is cash management ? Explain the strategies used by a company to manage cash. **10**
- b) What are the costs associated with the extension of accounts receivable ? **10**
6. a) Explain the costs and benefits of holding inventory for a company. **10**
- b) What are the crucial decision areas in receivable management ? **10**