



B.Com. (Semester – VI) Examination, April 2017
BUSINESS MANAGEMENT (Major – 2)
Financial Management
(New Course)

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) Irrelevance theory of dividend.
- b) Techniques of speedy cash collection.
- c) Objectives of receivables management.
- d) Benefits of holding inventories.
- e) Components of working capital.
- f) Dividend Payout Ratio.

2. a) A proforma cost sheet of a company provides the following particulars :

Elements of cost	Cost per unit (Rs.)
Raw materials	80
Direct Labour	30
Overheads	<u>60</u>
Total cost	170
Profit	<u>30</u>
Selling Price	200

Additional Information :

- 1) Raw materials in stock, on average one month.
- 2) Materials in process (Assume 50 percent completion stage in respect of conversion costs and 100 percent completion in respect of materials) on average, half a month.



- 3) Finished goods in stock, on average one month.
- 4) Credit allowed by suppliers is one month.
- 5) Credit allowed to debtors is two months.
- 6) Average time-lag in payment of wages is 1.5 weeks and one month in overhead expenses.
- 7) One-fourth of the output is sold against cash.
- 8) Cash in hand and at bank desired to be maintained at Rs. 3,65,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production. You may assume that production is carried on evenly throughout the year (52 weeks), and wages and overheads accrue similarly. (For calculation purposes, 4 weeks may be taken as equivalent to a month).

15

b) What are the motives of holding cash ?

5

3. a) Prepare a cash budget for the three months July-September, 2016 based on the following information.

15

Estimated	June	July	August	September
Cash sales	1,20,000	1,40,000	1,52,000	1,21,000
Credit sales	1,00,000	80,000	1,40,000	1,20,000
Purchases	1,60,000	1,70,000	2,40,000	1,80,000
Other Expenses	18,000	20,000	22,000	21,000

Additional Information :

- 1) Cash at bank on 1st July, 2016 is Rs. 25,000.
- 2) Monthly salaries and wages is Rs. 10,000.
- 3) Interest payable in August, 2016 is Rs. 5,000.
- 4) Credit sales are collected in the month following the sale.
- 5) 10% of the purchases are in cash and balance is paid in the next month.

b) Explain the need for working capital.

5



4. a) Economic Enterprises require 90,000 units of certain items annually. The cost per unit is Rs. 3. The cost per purchase order is Rs. 300 and the inventory carrying cost is Rs. 6 per unit per year. Calculate the EOQ. 5
- b) Two components A and B are used as follows : 10
- Normal usage : 50 units each per week
 - Minimum usage : 25 units each per week
 - Maximum usage : 75 units each per week
 - Reorder quantity : A : 300 units ; B : 500 units
 - Reorder period : A : 4 to 6 weeks ; B : 2 to 4 weeks
- Calculate for each component :
- 1) Reorder level
 - 2) Minimum level
 - 3) Maximum level
 - 4) Average stock level.
- c) Explain the forms of dividends. 5
5. a) What is working capital ? Discuss the factors that determine the working capital requirements of the firm. 10
- b) Write short notes on : (2×5=10)
- 1) EOQ technique
 - 2) ABC analysis.
6. a) What is inventory management ? Explain the costs associated with holding inventories. 10
- b) Explain in detail the crucial decision areas in receivables management. 10
-