



B.Com. (Semester – VI) (Repeat) Examination, October 2015
BUSINESS MANAGEMENT (Major – II)
Financial Management – II

Duration : 2 Hours

Max. Marks : 80

- Instructions :**
- 1) Question No. 1 is **compulsory**.
 - 2) Answer **any 3** from the rest choosing atleast **one** from Question 2 or Question 3.
 - 3) **All** questions carry **equal** marks.
 - 4) Figures to the **right** indicate marks.
 - 5) **All** workings should form part of your answer.

1. Write short notes on **any four**. (4×5=20)
- a) Motives of holding cash.
 - b) Working capital cycle.
 - c) Irrelevance theory of dividend.
 - d) ABC analysis.
 - e) Cost associated with receivable management.
 - f) Meaning of dividend and dividend policy.
2. a) A proforma cost sheet of a company provides the following particulars :
- Elements of Cost
- Materials 40% of the selling price
- Direct labour 20% of the selling price
- Overheads 20% of the selling price.
- The following information is also available :
- 1) It is proposed to maintain a level of activity of 2,00,000 units.
 - 2) Selling price is Rs. 12 per unit.
 - 3) Raw materials are expected to remain in stores for an average period of one month.
 - 4) Materials will be in process on average of ½ month.



- 5) Finished goods are required to be in stock for an average period of one month.
- 6) Credit allowed to debtors is 2 months.
- 7) Credit allowed by suppliers is 1 month.
- Determine the working capital needs of the company. 15
- b) Explain in brief the basic strategies of managing cash. 5
3. a) From the following particulars calculate Economic Order Quantity.
- 1) Annual requirement 1600 units.
 - 2) Cost of placing and receiving one purchase order is Rs. 50.
 - 3) Cost of material per unit Rs. 40.
 - 4) Annual carrying cost of inventory 10% of inventory value. 5
- b) Find out the minimum stock level, maximum stock level, reorder stock level and average stock level from the following particulars.
- 1) Minimum consumption 100 units per day.
 - 2) Maximum consumption 150 units per day.
 - 3) Normal consumption 120 units per day.
 - 4) Reorder Quantity 1500 units per day.
- Minimum period for receiving goods : 8 days
- Normal period for receiving goods : 12 days
- Maximum period for receiving goods : 16 days. 10
- c) Write a note on techniques of slowing disbursement. 5
4. a) Explain the factors affecting the working capital requirement of the firm. 10
- b) What do you understand by inventory management ? Explain in detail the various cost and benefits of holding inventory. 10
5. a) Explain the factors which influence the dividend policy of a firm.
- b) "Does the dividend policy affect the value of the firm under Modigliani and Miller Model" ? Explain. 10
6. a) Define cash management. Explain in brief the various techniques of cash management. 10
- b) Define receivable management. Explain in detail the various aspects of decision making in receivable management. 10