



**B.Com. (Semester – VI) Examination, October/November 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) Walters model of dividend.
  - b) Techniques of slowing disbursements.
  - c) Costs associated with receivables management.
  - d) Cash budget.
  - e) Working capital cycle.
  - f) Dividend Payout Ratio.
2. a) The cost sheet of a company provides the following information. Estimate the working capital for the firm. Add 10 percent to your computed figure to allow contingencies.

<b>Cost per unit of production</b>	<b>Amount per unit (Rs.)</b>
Raw materials	80
Direct labour	30
Overhead (exclusive of depreciation, Rs. 10 per unit)	60
<b>Total cost</b>	<b>170</b>

**Additional information :**

- 1) Selling price, Rs. 200 per unit.
- 2) Level of activity, 104000 units of production per annum.
- 3) Raw materials in stock, average 4 weeks.



- 4) Work in progress (assume 50 percent completion stage in respect of conversion costs and 100 percent completion in respect of materials), average 2 weeks.
- 5) Finished goods in stock, average 4 weeks.
- 6) Credit allowed by suppliers, average 4 weeks.
- 7) Credit allowed to debtors, average 8 weeks.
- 8) Lag in payment of wages, average 1.5 weeks.
- 9) Cash at bank is expected to be, Rs. 25,000.

You may assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly.

All sales are on credit basis only.

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b) Explain in brief the factors determining cash needs.

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3. a) XYZ Ltd. has given the following particulars. You are required to prepare a cash budget for the period of three months October to December, 2016.

Months	Sales	Materials	Wages	Overheads
August	40,000	20,400	7,600	3,800
September	42,000	20,000	7,600	4,200
October	46,000	19,600	8,000	4,600
November	50,000	20,000	8,400	4,800
December	60,000	21,600	9,000	5,000

1) Credit terms are :

a) Sales/Debtors – 10% sales are on cash basis. Balance of the credit sales are collected in the next month.

b) Creditors – Materials 2 months, Wages one month, Overheads 2 months.

2) A machinery will be installed in August, 2016 at a cost of Rs. 1,00,000. The monthly instalment of Rs. 5,000 is payable from October onwards.

3) Dividend at 10% on Preference share capital of Rs. 3,00,000 will be paid on 1<sup>st</sup> December, 2016.

4) Advance to be received for sale of vehicle Rs. 20,000 in December.

5) Income tax (advance) to be paid in December Rs. 5,000.

6) Cash balance on 1<sup>st</sup> October, 2016 is expected to be Rs. 8,000.

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b) Explain the components of working capital.

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4. a) A firm estimates its carrying cost at 15 percent and its ordering cost at Rs. 9 per order. The estimated annual requirement is 38000 units at a price of Rs. 4 per unit. Determine the EOQ. 5
- b) Shriram Ltd. manufactures a product "Zed". The following details are provided for the current year. 10
- Monthly demand of Zed, 100 units  
Normal usage, 50 units per week  
Maximum usage, 75 units per week  
Minimum usage, 25 units per week  
Reorder period, 4 to 6 weeks  
Reorder quantity, 187 units  
Compute from the above :
- 1) Reorder level  
2) Minimum level  
3) Maximum level  
4) Average stock level.
- c) Explain the meaning dividend and dividend policy. 5
5. a) Explain the factors which determine the dividend policy of a company. 10
- b) Write short notes on :
- 1) VED analysis  
2) EOQ technique. (2×5=10)
6. a) What is cash management ? Explain the various strategies of managing cash. 10
- b) Does dividend policy affect the value of the firm under M. M. model ? Explain. 10
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