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**T.Y.B.Com (Semester –VI) Repeat / One Time Opportunity**  
**EXAMINATION November 2019**  
**Business Management Major-2 : Financial Management**

**[Duration : Two Hours]****[Max. 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. (4x5=20)
  - a) ABC analysis
  - b) Motives of holding cash
  - c) Risk and costs of holding inventory
  - d) Forms of Dividends
  - e) Concepts of working capital
  - f) Costs associated with accounts receivables
  
- 2) a) Reliance India Ltd seeks your help to estimate their working capital requirements. You are provided with the following information. 15
  - i) Estimated annual production and sales of the company for the coming financial year is 2,40,000 units.
  - ii) Selling price per unit is Rs.20/-
  - iii) Elements of cost: Materials -40%, Labour-20% and Overheads -10%
  - iv) Materials remain in stores for an average period of one month
  - v) Materials remain in process for an average period of half a month (With full material consumption and Half of labour and overheads)
  - vi) Finished goods remain in stock for a period of 3 months
  - vii) Credit period provided to debtors is 3 months and credit period offered by creditors is one month.
  - viii) Cash balance required to be maintained is Rs.50,000/-
  - ix) Time lag in the payment of wages is half a month while expenses are paid one month in advance.
  - x) Provide a margin of 10% for contingencies.  
 b) Write a note on M. M. Hypothesis of dividend policy 5
  
- 3) a) From the following information, calculate EOQ: 5
  - i) Annual Consumption of materials : 12,000 Units
  - ii) Cost of placing one order : Rs.3,000
  - iii) Inventory carrying cost per unit : Rs.2

- b) Two materials, X and Y are used as follows: 10  
 Minimum usage ----- 50 units per week each;  
 Maximum usage ----- 150 units per week each;  
 Normal usage ----- 100 units per week each;  
 Ordering quantity : X --- 600 units and Y ---- - 1,000 units;  
 Delivery period: X ---- 4 to 6 weeks; Y ---- 2 to 4 weeks.  
 Calculate for each material:  
 i) Minimum Stock Level, ii) Maximum Stock Level, iii) Reorder Level  
 iv) Average Stock Level
- c) What do you understand by VED analysis? 5
- 4) a) Prepare a cash budget for the three months July-September, 2019 based on the following information. 15
- | Particulars    | June     | July     | August   | September |
|----------------|----------|----------|----------|-----------|
| Cash Sales     | 1,20,000 | 1,40,000 | 1,60,000 | 2,00,000  |
| Credit Sales   | 1,20,000 | 1,50,000 | 1,80,000 | 2,20,000  |
| Purchases      | 1,60,000 | 1,70,000 | 1,80,000 | 2,10,000  |
| Other Expenses | 20,000   | 20,000   | 25,000   | 30,000    |
- Additional information:**  
 i) Cash at bank on 1<sup>st</sup> July, 2019 is as Rs.25,000  
 ii) Monthly salaries and wages is Rs.10,000  
 iii) Interest payable in August, 2019 is Rs.8,000  
 iv) Credit sales are collected in the month following the sale  
 v) 25% of the purchases are in cash and balance is paid in the next month.
- b) Explain in brief the sources of working capital. 5
- 5) a) Explain the determinants of dividend policy. 10  
 b) Explain the Relevance Theory of Dividend. 10
- 6) a) Explain the decision areas in Receivables Management. 10  
 b) Explain the techniques for speedy cash collection and slowing disbursements. 10