



B.Com. (Semester – VI) (Repeat) Examination, October/November 2018
BUSINESS MANAGEMENT (Major – 2)
Financial Management

Duration : 2 Hours

Total Marks : 80

Instructions : 1) Question No. 1 is **compulsory**.

2) Answer **any 3** questions from question no. 2 to question no. 6.

3) Figures to the right indicate **full** marks.

1. Write short notes on **any four**. (4×5 =20)

- Components of working capital.
- Interim dividend and Final dividend
- Cash budget : A management tool.
- Costs associated with receivables management.
- Irrelevance theory of dividend.
- Cost of holding inventory.

2. a) You are required to estimate the working capital requirements of a company.
The following information is available about the projections for the year.

Elements of Cost Per unit (₹)

Raw Material 40

Direct Labour 15

Overhead 30

Total cost 85

Profit 15

Sales 100

Other Information :

- Raw-material in stock : Average 4 weeks consumption.
- Work-in-progress : $\frac{1}{2}$ a month on an average. (Material 100%, other expenses 50%)

P.T.O.



- 3) Finished goods in stock on an average 1 month.
- 4) Credit allowed by suppliers 1 month.
- 5) Credit allowed to debtors 2 months.
- 6) Average time lag in the payment wages $1\frac{1}{2}$ weeks and 4 weeks in overhead expenses.
- 7) Cash in hand is desired to be maintained at ₹ 50,000.
- 8) All sales are credit sales.

Prepare a statement showing estimate of working capital needed to finance an activity level of 96,000 units of production.

Assume that production is carried out evenly through out the year and wages and overheads accrue evenly.

For the calculation purpose 4 may be taken as equivalent to a month and 52 weeks in a year.

15

b) Write a note on working capital cycle.

5

3. a) Prepare monthly cash budget for the company MNO Ltd., for the 3 months ending 31 March from the following details.
- 1) Opening cash balance on 1st January Rs. 22,000.
 - 2) The sale for November and December of the previous year have been Rs. 1,00,000 each. Its estimated that sales for the months of January, February and March are as follows :
Rs. 2,00,000, Rs. 2,00,000 and Rs. 1,20,000 respectively.
 - 3) Cash sales are 20% of sales.
 - 4) Credit sales are expected to be collected as follows : 50% of the receivables on an average of 1 month from the date of sales and balance 50% after 2 months from the date of sale.
 - 5) Other anticipated receipts of Rs. 5,000 from the sale of the machine in March.



Payment details are as under.

- a) Materials purchased were estimated to be worth Rs. 40,000 for the months of January and February and Rs. 48,000 in March.

Purchases for the month of December of the previous year have been Rs. 40,000 for which payment will be made in January.

- b) Payments for purchases are made approximately a month after the purchases .

- c) Wage payments are expected to be Rs. 15,000 per month and Manufacturing expenses are expected to be Rs. 20,000 per month.

- d) General expenses are expected to be Rs. 10,000 per month .

- e) A machine worth Rs. 50,000 is proposed to be purchased on cash in March.

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- b) Write a note on techniques of speedy cash management.

4. a) ABC Ltd. produces a product which requires monthly demand of 104000 units. The product requires a component which is purchased at Rs. 15 . For every finished product, 2 units of the component is required . The ordering cost is Rs. 350 per order. The carrying cost is 12 % per annum. Calculate E.O.Q.

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- b) Two components A and B are consumed as follows :

Normal usage : 100 units per week each.

Minimum usage : 50 units per week each.

Maximum usage : 150 units per week each.

Re-order Quantity : A : 400 units; B : 600 units.



Re-order period : A : 6 to 8 weeks; B : 3 to 5 weeks.

Calculate for each component

- i) Re-order level
 - ii) Minimum level
 - iii) Maximum level
 - iv) Average stock level. 10
- c) Write a note on the basic objectives of Inventory management. 5
- 5. a) Define cash management. Explain in brief various techniques of cash management. 10
- b) Explain the various factors that influence the dividend policy of a firm. 10
- 6. a) Write short notes on : 15
 - i) E.O.Q.
 - ii) A.B.C. analysis
 - iii) V.E.D. analysis. 10
- b) Explain the various factors that affect the working capital requirements of a firm. 10