



OD – 07

B.Com. (Semester – VI) (Repeat) Examination, October 2016
BUSINESS MANAGEMENT (Major – II) (Old Course)
Financial Management – II

Duration : 2 Hours

Total Marks : 80

- Instructions :** 1) Question No. 1 is **compulsory**.
2) Answer **any 3** from the rest choosing atleast **one** from Q. 2 or Q. 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** : (5×4=20)
- a) EOQ technique
 - b) Working capital cycle
 - c) Irrelevance theory of Dividend
 - d) Dividend policy
 - e) Cost of holding inventory
 - f) Techniques for speedy cash collection.

2. a) A proforma cost sheet of a company provides the following particulars : 15

	Amount per Unit (Rs.)
Raw material	80
Direct labour	30
Overheads	<u>60</u>
Total cost	170
Profit	<u>30</u>
Selling price	<u>200</u>

The following further particulars are available :

Raw materials are in stock on an average one month, materials are in process on average half a month, finished goods in stock, on average one month.

Credit allowed by suppliers is one month, credit allowed to debtors is two month, lag in payment of wages is one and half week, lag in payment of

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overhead expenses is one month. One fourth of output is sold against cash while cash in hand and bank is expected to be Rs. 25,000. You are required to prepare a statement showing working capital needed to finance a level of activity of 104000 units of production.

You may assume that production is carried out evenly throughout the year, and wages and overheads accrue similarly.

- b) Write a note on techniques for slowing disbursement. 5
3. a) M/s Neptune Industries Ltd., supplies you the following information : 5
- Consumption of materials per annum 15000 kg
- Cost of placing an order Rs. 48
- Cost of raw materials Rs. 2 per kg
- Storage cost is 8% of average inventory. You are required to ascertain the EOQ.
- b) Find out the minimum stock level, maximum stock level, re-ordering stock level and average stock level from the following particulars : 10
- Normal usage : 50 units per week each
- Minimum usage : 25 units per week each
- Maximum usage : 75 units per week each
- Reorder quantity – 300 units
- Reorder period – 4 to 6 weeks.
- c) What are the basic objectives of receivables management ? 5
4. a) What is meant by ABC inventory control system ? On what key promise is the system based ? 10
- b) Walter's and Gordon's models are based on the same assumption. Thus there is no basic difference between the two models. Do you agree or not ? 10
5. a) Explain the factors that influence the dividend policy of a firm. 10
- b) Explain in detail the factors affecting the working capital requirement of a firm. 10
6. a) Explain the cost associated with receivable management. 10
- b) Define receivables management. Explain in detail the various aspects of decision making in receivable management. 10