



B.Com. (Semester – VI) Examination, April 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 at least **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** :

(4×5=20)

- a) Objectives of receivables management.
- b) ABC analysis.
- c) Motives of holding cash.
- d) Working capital cycle.
- e) Meaning of dividend and dividend policy.
- f) Cost of holding inventory.

2. a) Alpha Company produces 5000 units in a year and sells them at Rs. 100 per unit.

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The following ratios are available.

Raw materials 50% of selling price.

Labour 20% of selling price.

Overheads 20% of selling price.

Additional information :

- a) Production and sales cycle move regularly.
- b) Wages are paid on first of each month for the previous month.
- c) Each unit is expected to be in process for $1\frac{1}{2}$ month.
- d) Raw materials are expected to be in stores for $1\frac{1}{2}$ month.
- e) Finished goods are expected to remain in warehouse for 2 month.



- f) Credit allowed to debtors – 2 months.
- g) Provide 20% for safety margin.
- h) Credit allowed by suppliers – 2 months.

You are required to prepare a statement showing an estimate of working capital requirement.

- b) Explain in brief the basic strategies of managing cash. 5
- 3. a) Calculate EOQ from the following : 5
 - Consumption during the year 600 units
 - Ordering cost Rs. 12 per order
 - Carrying cost 20%
 - Price per unit Rs. 20.
- b) Determine re-order level, minimum level, maximum level and average stock level. 10
 - Normal usage : 100 units per week
 - Lead time : 4 to 6 weeks
 - Minimum usage : 50 units per week
 - Maximum usage : 150 units per week
 - Reorder quantity : 600 units.
- c) Discuss the various cost associated with receivable management. 5
- 4. a) Explain the factors that influence the dividend policy of a company. 10
- b) Explain in brief the various techniques of cash management. 10
- 5. a) What is working capital ? Discuss the factors that can be considered while estimating working capital requirement of a firm. 10
- b) "Does Dividend Policy affect the value of the firm under Gordon's Model". Explain. 10
- 6. a) Explain in detail the various aspects of decision making in receivables management. 10
- b) What is inventory management ? What are the benefits of holding inventory. 10