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Roll No.

Total Questions : 13]

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B.B.A. IVth Semester Examination, May-2019

FINANCIAL MANAGEMENT

(BBA-402)

Time : 3 Hrs.]

[M.M. : 75

Note :- Attempt all the Sections as per instructions.

Section-A

(Very Short Answer Type Questions)

Note :- Attempt all *five* questions. Each question carries 3 marks. Very short answer is required not exceeding 75 words.

1. What do you mean by Financial Management ?
2. What is over Capitalisation ?
3. What do you mean by Internal Rate of Return ?

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Turn Over

4. The expected annual income of a firm is ₹ 2 lakh per annum. Find out the amount of Capitalisation if the prevailing rate of return in the firm is 10%.
5. What are the assumptions of Walter's model of dividend policy ?

Section-B

(Short Answer Type Questions)

Note :- Attempt any *two* questions out of the following three questions. Each question carries 7½ marks. Short answer is required not exceeding 200 words.

6. What do you mean by inventory management ? Name some techniques of inventory management.
7. A factory uses ₹ 30,000 worth of raw material per year which costs ₹ 1.25 per unit. Placing each order cost ₹ 25 and the carrying cost is 6% per year of the average inventory. Find the E.O.Q. and the total inventory cost.
8. What do you mean by capital structure ? Explain the various theories of capital structure.

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Section-C

(Long Answer Type Questions)

Note :- Attempt any *three* questions out of the following five questions. Each question carries 15 marks. Answer is required in detail.

9. What is meant by working capital ? Enumerate the various factors which affect the demand of working capital in a business concern.
10. What is dividend policy ? Critically examine the essentials of a sound dividend policy.
11. What do you mean by under capitalisation ? Discuss the causes of under capitalisation. What steps will be taken to check the under capitalisation in a company ?
12. The following information has been submitted by a borrower :
- | | |
|---|----------------|
| (i) Expected level of annual production | 2,40,000 units |
| (ii) Raw material to remain in stock | 2 months |
| (iii) Processing period | 1 month |
| (iv) Finished goods remain in stock | 3 months |

- (v) Credit allowed to the customers 3 months
- (vi) Expected ratio of cost to selling price :
- | | |
|------------------|-----|
| (a) Raw material | 60% |
| (b) Direct wages | 10% |
| (c) Overheads | 20% |
- (vii) Selling price per unit ₹ 20
- (viii) Expected margin on sale 10%

You are required to work out an estimate of the total requirements of working capital.

13. The total Capitalisation of Z Ltd. has been fixed at ₹ 2,00,000. The average annual income of the company is ₹ 30,000. The rate of Capitalisation in the market is 20%. Considering the above facts, you have to advice :
- (i) Is the Company over Capitalised ?
- (ii) If yes, what is the extent of over-Capitalisation ?
- (iii) In order to bring a stage of fair Capitalisation, how much increase in annual income of the Company should be targeted by the management ?