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Roll No.

Total Questions : 13]

[Printed Pages : 4

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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 ?

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