



UA-3538

Second Year B. B. A. (Sem. IV) Examination

March/April – 2012

Financial Management  
(Old Course)

Time : Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दशांशों में निशानावाणी विगतो उत्तरवही पर अवश्य लिखनी. Fillup strictly the details of signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
<input type="text" value="S. Y. B. B. A. (SEM. 4)"/>	<input type="text"/>
Name of the Subject :	<input type="text"/>
<input type="text" value="FINANCIAL MANAGEMENT (OLD)"/>	<input type="text"/>
Subject Code No. : <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="8"/>	<input type="text" value="Student's Signature"/>
Section No. (1, 2,.....) : <input type="text" value="Nil"/>	

- (2) Question no. 1 is compulsory.  
(3) Figures to the right indicate full marks.  
(4) Use of simple calculator is allowed.

- 1 Answer the following : (any six) 12
- Define Financial Management.
  - State the functions of financial system.
  - Which security is known as variable income security ?  
Why ?
  - Define working capital and give classification.
  - What is safety stock ? How can it be computed ?
  - What is trading on equity ?
  - Compare NPV and IRR.
  - What is a float ?
- 2 (a) How financial management is related with other discipline ? 7
- (b) Evaluate retained earnings as a source of long term finance. 7

OR

- 2 (a) What functions are performed by the financial manager ? 7  
 (b) Discuss features of them loans and its advantages from the lender's point of view. 7

- 3 (a) Explain causes and effect of over capitalisation. 6  
 (b) Discuss various methods of credit evaluation. 6  
 (c) What are stock-out costs ? 2

**OR**

- 3 (a) Explain EOQ method of inventory control. 6  
 (b) Explain the significance of capital budgeting. 6  
 (c) What is a certificate of deposit ? 2

- 4 (a) The Board of directors of Jasmin Ltd. is desiring to replace the old machine by purchasing new machine. The old machine has been in operation for the last five years. 12

Corporate tax is 50%. Assuming that production, selling price and cost remains constant throughout the economic life, suggest on the basis off ARR whether replacement is advisable ? Provide depreciation as per straight line method.

The details are as under :

Particulars	Old machine	New machine
Purchase Price	Rs. 1, 00, 000	Rs. 1, 50, 000
Installation cost	Rs. 20, 000	Rs. 30, 000
Economic life	10 years	10 years
Machine hours per annum	2000	2000
Production units per hour	24	40
Wages per hour	Rs. 04	6
Power per annum	Rs. 4000	Rs. 6000
Consumable stores per annum	Rs. 6000	Rs. 9000
Material cost per unit	Re. 1	Re. 1
Selling price per unit	Rs. 2	Rs. 2

- (b) Write short note on Maximum permissible bank finance. 4

**OR**

- 4 (a) Arpita Ltd. provides you the following information of the current year. You are required to estimate working capital requirement of the next year : 12

Annual sales	Rs. 33,60,000
Cost of production including depreciation of Rs. 3,00,000	25,00,000
Raw material purchases	12,20,000
Monthly expenses	40,000
Anticipated opening stock of raw materials	Rs. 4,00,000
Anticipated closing stock of raw materials	Rs. 5,00,000

***Inventory Period :***

Raw material 2 months

Work in progress 1/2 month.

Finished goods 2 months.

Suppliers provide credit of 1/2 month on purchases and the company allows one month credit on its supplies.

The company has received advance of Rs. 50,000 from customers. Minimum cash balance required is Rs. 40,000.

- (b) Write short note of Chore committee on working capital financing. 4
- 5 Write short notes : (any two) 14
- (i) Process of cash management.
  - (ii) Operating leverage.
  - (iii) Ranking conflict and Resolution.
  - (iv) Ageing schedule.