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RB-1732

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

April / May – 2010

Financial Management

Time : Hours] [Total Marks : **70**

Instructions :

(1)

નીચે દર્શાવેલ ☛ નિશાનીવાળી વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
Fillup strictly the details of ☛ signs on your answer book.

Name of the Examination :
☛ **S. Y. B. B. A. (Sem. 4)**

Name of the Subject :
☛ **Financial Management**

☛ Subject Code No. : **1 7 3 2** ☛ Section No. (1, 2,.....) : **Nil**

Seat No. :

Student's Signature

(2) Question No. **1** is **compulsory**.
(3) Figures to the **right** indicate full marks of each question.
(4) Use of simple calculator is allowed.

1 Answer the following : (any **six**) **12**

(i) Which objective of financial management is superior? Why?
(ii) State functions of capital market.
(iii) What is preemptive right?
(iv) Which are the cost involved in holding inventory?
(v) What are the major areas covered by Tandon Committee in the recommendations?
(vi) What is Trading on Equity?
(vii) State how NPV differ from IRR.
(viii) What are the objectives of maintaining receivables?

2 (a) Explain functions of financial management. **7**
(b) Explain features of preference shares. Evaluate it from company's point of view. **7**

OR

2 (a) How is financial management related with other disciplines? **5**
(b) Discuss features of debentures. **5**
(c) Distinguish between Primary market and Secondary market. **4**

3 (a) Explain the causes of over capitalisation. **6**
(b) Discuss the method of credit evaluation. **6**
(c) What is safety stock? **2**

OR

3 (a) Discuss various avenues available for investing surplus cash. **6**
(b) Write short note on IRR. **6**
(c) What is ordering cost? **2**

4 (a) XYZ Ltd. is considering the introduction of a new product. It is estimated that profits before depreciation would increase by Rs. 1,20,000 each year for first four years and Rs. 60,000 each for the remaining period. An advertisement cost of Rs. 20,000 is expected to be incurred in the first year, which is not included in the above estimate of profits. The cost will be allowed for tax purpose in the first year. **12**

A new plant costing Rs. 2,00,000 will be installed for the production of the new product. The salvage value of the plant after its life of 10 years is eatimated to be Rs. 40,000. A working capital investment of Rs. 20,000 will be required in the year of installing the plant and a further Rs. 15,000 in the following year. The company's tax rate is 50% and it claims written down value depreciation @ 33.33%. If the company's required rate of return is 20%, should the company introduce the new product? Ignore tax effect on profit/loss on sale of asset.

(The PVIF @ 20% for 10 years are respectively 0.833, 0.694, 0.579, 0.482, 0.402, 0.335, 0.279, 0.233, 0.194, 0.162)

(b) What is meant by operating cycle? **4**

OR

4 (a) A proforma cost sheet of a company provides the following information : **12**

Particulars	***Amount Rs (per unit)***
Raw Materials	80
Direct Labour	40
Overhead	50
Total Cost	170
Profit	40
Selling Price	210

The following further particulars are available :

(i) Raw material in stock on an average one month.

(ii) Work-in-process (50% completion stage) on an average half a month.

(iii) Finished goods in stock, on an average one month

(iv) Credit allowed by supplier is one month and credit allowed to debtors is two months.

(v) Average time-lag in payment of wages is 1.5 weeks and one month for overheads.

(vi) One fourth of output is sold against cash.

(vii) Cash in hand is desired to be maintained at Rs. 3,70,000.

You are required to prepare a statement showing the requirement of working capital to finance the level of activity of 1,08,000 units of production. You may assume that production is carried on evenly throughout the year.

(b) Explain EOQ method of Inventory Control. 4

5 Write short notes : (any **two**) 14

(i) Managing Cash inflows

(ii) Maximum Permissible Bank Finance

(iii) Operating leverage

(iv) Importance of Capital Budgeting.