



MAX-010-001402

Seat No. \_\_\_\_\_

**B. B. A. (Sem. IV) (CBCS) Examination**

March / April - 2018

**Financial Management - II**

*(Old Course)*

**Faculty Code : 010**

**Subject Code : 001402**

Time :  $2\frac{1}{2}$  Hours]

[Total Marks : 70

**Instructions :**

- (1) Attempt all questions.
- (2) Each question carry equal marks.

1 Define working capital and discuss in detail types of working capital. 14

**OR**

1 Discuss briefly the factors determining working capital need in any organisation. 14

2 (a) XYZ Enterprise require 1,20,000 units of certain items annually. The cost per unit is Rs. 5. The cost per purchase order is Rs. 400 and the inventory carrying cost is Rs. 6 per unit per year. Determine the EOQ. 7

(b) Following information is available in respect of consumption of material in a factory. 7

Average consumption.....100 units per day

Minimum consumption .....60 units per day

Maximum consumption .....130 units per day

Ordering quantity .....5,000 units

Reorder period.....25 to 30 days

Determine the ordering level, maximum level and minimum level.

**OR**

**2** What is Cash Management? Explain briefly the significance of cash management. **14**

**3** Define cost of capital and discuss in detail determinants of cost of capital. **14**

**OR**

**3** A company has issued 10% perpetual debentures of Rs. 100 each to raise Rs. 5,00,000. The tax rate is 55%. Calculate the cost of debenture under following circumstances: If they are issued (i) at par (ii) at a premium of 8% (iii) at a discount of 8%. **14**

**4** A firm has sales of 1,00,000 units at Rs. 10 per unit, variable cost of the produced product is 60 percent of the total sales revenue. Fixed cost is Rs. 2,00,000. The firm has used a debt of Rs. 5,00,000 at 20 percent interest. Calculate the operating leverage, financial leverage and combined leverage. **14**

**OR**

**4** What is over capitalization? What are its causes, effects and remedies? **14**

**5** Define Equity share capital as a long term source of finance along with its merits and demerits. **14**

**OR**

**5** (a) Venture Capital Financing **7**

(b) Lease Finance **7**

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