



**RAH-010-001402**

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

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

**March / April – 2019**

**Financial Management - II**

**(Old Course)**

**Faculty Code : 010**

**Subject Code : 001402**

Time : **2.30** Hours]

[Total Marks : **70**

1 What is Working Capital ? What are the general sources of working capital for Indian Industries ? 14

**OR**

1 Discuss in detail the factors determining working capital need in any organization. 14

2 (a) From the following information about consumption of coal in a foundry, determine the economic ordering quantity (both in units and rupees). 7

(1) Consumption during the year 10,000 kgs.

(2) Carrying cost of inventory Rs. 0.40.

(3) ordering cost Rs. 80.

(4) Price per kg of coal Rs. 4.

(b) Two components A and B are used as follows : 7

Normal usage 50 units per week each

Minimum usage 25 units per week each

Maximum usage 75 units per week each

Re-order quantity A : 300 units B : 500 units

Re-order period A : 4 to 6 weeks, B : 2 to 4 weeks

Determine the Re-order 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 5,000, 10% Debentures of Rs. 100 each. The tax rate is 50%. Calculate the cost of debentures under following circumstances: (i) If they are issued at a discount of 10%, (ii) If they are issued at a premium of 10%. 14

- 4 The following figures relate to two companies. 14

	Rs. in Lakhs	
	P. Ltd.	Q Ltd.
Sales	500	1000
Variable cost	200	300
Contribution	300	700
Fixed Costs	150	400
Earnings before interest and Tax	150	300
Interest	50	100
Profit before tax	100	200

You are required to calculate the Operating, Financial and Combined Leverage for the two companies.

**OR**

- 4 What is under capitalization ? What are its causes, effects and remedies ? 14

- 5 Evaluate the preference share and debentures as a source of finance. 14

**OR**

- 5 Write short notes : (any two) 14
- (1) Venture Capital Financing
  - (2) Lease Finance.
  - (3) New Financial Instrument