



DE-010-001508

Seat No. _____

B. B. A. (Sem. V) (CBCS) Examination

March – 2022

Advance Financial Management

Faculty Code : 010

Subject Code : 001508

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

[Total Marks : 70

- 1 Explain the term capital structure. Discuss the factors affecting capital structure in detail. 14

OR

- 1 Explain any 2 capital structure theories in detail. 14
- 2 What is dividend ? Discuss the types of dividend offer by the company. 14

OR

- 2 Write in detail the relevance theories of dividend policy. 14
- 3 What is receivable management ? Discuss the factors affecting it. 14

OR

- 3 A Co. Ltd. is selling a product at Rs. 15 per unit. The data regarding its sales, cost etc. are given below :

Sales 20,000 units

Variable cost per unit..... Rs. 10

Average cost per unitRs. 12.

Total fixed costRs. 1,00,000

Average collection period..... 40 days

The company is contemplating relaxation of its credit policy, which is expected to result in 20% increase in unit sales, and the average collection period would increase to 60 days. There would be no change in bad debts. There would be negligible increase in collection expense.

If the required return on investment of the company is 16 %, should the company relax its credit policy ?

- 4 What is Cash Management ? Discuss the objectives of Cash Management. 14

OR

- 4 From the following particulars of Jay limited prepare cash budget for 3 months ending on 30-6-2005 : 14

<i>Month</i>	<i>Total Sales</i>	<i>Total Purchases</i>	<i>Manufacturing Exp.</i>	<i>Admin. Exp.</i>	<i>Selling Exp.</i>
February	3,50,000	2,20,000	75,000	20,000	14,000
March	4,80,000	2,60,000	60,000	20,000	22,000
April	4,00,000	3,00,000	55,000	20,000	20,000
May	3,60,000	2,80,000	65,000	24,000	16,000
June	5,00,000	3,20,000	70,000	24,000	24,000

- Cash sales is 25% of total sales. Cash discount of 10% is allowed on cash sales. Amount of credit sales is received in next month, (i. e. Feb received, in March and so on)
- 40% of total purchases is on cash basis and 5% discount is received on this cash purchases, while dues for credit purchases are paid in third month from month of purchase (i.e. February paid in April and so on)
- Time lag for payment of mfg. expenses is 1/2 month while that of administrative expenses is 1/4 month and for selling expenses is 1 month.
- Company has purchased 50,000 equity shares of Star Computers Ltd. each having face value of Re 1, at Rs. 50 per share in the year 2003. Prevailing market price of each share is Rs. 120. Star Company has declared dividend at 80% and paid the amount of dividend in June, 2005.

5. Quarterly Interest on 8% debentures of Rs. 3,00,000 is payable in April and July.
6. An installment of advance tax of Rs. 22,000 will be paid in State Bank of Saurashtra in month of April 2005.
7. A cheque for Rs. 12,500, being amount of last year's income tax refund, is recd. in April, 05. Same is deposited in Bank on 7th May but Bank has credited Jay Ltd.'s A/c on 17th May.
8. It is estimated that cash balance on 1-4-05 will be Rs. 87,500.

5 Two components A and B are used as follows : 14

Normal usage	50 units per week each
Minimum usage	25 units per week each A & B
Maximum usage	75 units per week each A & B
Re-order quantity	A : 300 units B : 500 units
Re-order period	A : 4 to 6 weeks B : 2 to 4 weeks

Calculate for each component :

- (1) Re-order level
- (2) Minimum level
- (3) Maximum level.

OR

5 Discuss the Inventory Management. Write in detail the techniques of Inventory Management in detail. 14