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SEAT No. _____

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SARDAR PATEL UNIVERSITY

B.B.A.[HONOURS][ITM] - IVth SemesterFriday, 12th April, 2019

Session: Morning Time: 10:00 A.M. TO 12:00 P.M.

Subject Code: UMO4EBBI07

Subject: Financial Management & Services - II

Total Marks: 60

Q 1[a] Discuss the concept and types of working capital. Why is working capital needed in business? [15]

OR

Q1[a] From the following information, you are required to estimate the working capital [10] required:

	Cost per unit [Rs]
Raw Material	200
Direct Labour	100
Overhead (excluding depreciation)	250
Total cost	550
Estimated data for the forthcoming period are given below:	
Raw Material in Stock	Average 6 weeks
Work-in-progress (Assume 50% completion stage with 100% material consumption)	Average 2 weeks
Finished goods in stock	Average 4 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 6 weeks
Cash at bank	Rs. 75,000
Selling Price	Rs. 800 per unit
Output	52,000 unit p.a.

Assume that production is sustained at an even pace during 52 weeks of the year. All sales are on credit basis.

Q1[b] Write a brief note on operating cycle. [05]

Q2 X Co. has furnished the following details. Based on this, prepare a cash budget for three months, June to August. [15]

Month	Sales Rs.	Materials Rs.	Wages Rs.	Production Overheads Rs.	Office expenses Rs.
June	72,000	25,000	10,000	6,000	5,500
July	97,000	31,000	12,100	6,300	6,700
August	86,000	25,500	10,600	6,000	7,500

- Cash balance on 1st June is Rs.72,500.
- 50% of the sales are cash sales.
- Debtors are allowed one month credit.
- A fixed asset has to be purchased for Rs.8,000 in July.
- Creditors for materials grant one month credit.
- Sales commission at 3% of sales is paid to the salesman each month.
- Time lag for the payment of wages, production overheads and office expenses is one month.

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(P.T.O)

OR

- Q 2[a] Discuss the credit policy variables. [08]
- Q 2[b] Calculate EOQ from the following information: [07]
Annual requirement – 3,000 units
Cost per unit – Rs. 20
Ordering cost per order – Rs. 30
Carrying cost per unit – Re.0.50
Lot sizes - 3000, 1500, 1000, 750, 600 and 500 units.

- Q3 What is venture capital? Discuss the features and process of venture financing. [15]

OR

- Q3[a] Explain the concept and mechanism of factoring. [10]
- Q3[b] Write a brief note on mutual funds. [05]
- Q4[a] Explain the traditional approach of capital structure. [10]
- Q4[b] What is the significance of capital structure decision in financial management? [05]

OR

- Q4[a] Assuming no taxes and given the EBIT, interest at 10% and equity capitalization rate below, calculate the value of the two firms. [08]

Firms	EBIT(Rs)	Interest (Rs)	Ke
A	2,00,000	20,000	12%
B	3,00,000	60,000	16%

- Q4[b] Prepare the income statement of a company from the following data: [07]

Operating leverage	3:1
Financial leverage	2:1
Interest p.a.	20,00,000
Tax rate	50%
Variable cost as % of sales	60%

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