BRS-016

BACHELOR OF BUSINESS ADMINISTRATION (RETAIL SERVICES)

00291

(BBARS)

Term-End Examination

June, 2015

BRS-016 : FINANCIAL MANAGEMENT

Time : 3 hours *Maximum Marks : 100*

***Note :** Attempt any **five** questions. All questions carry equal marks.*

1. Discuss the importance of long-term finance for a business enterprise. Also explain the various sources of long-term finance options available to the enterprise. *20*

2. What are the main objectives of a system of budgetary control ? Do you think budgetary control is subject to certain limitations ? How is budget different from forecast ? *20*

3. Discuss the concept of working capital management. Explain the various factors that influence working capital requirements of a company. *20*

4. What are the basic financial decisions ? Explain in what ways the wealth maximisation objective is superior to the profit maximisation objective. *20*

5. Write short notes on any ***four*** of the following : *4×5=20*

   (a) Yield to maturity method

   (b) Capital budgeting process

   (c) Financial leverage

   (d) Buy-back of shares

   (e) Operating leverage

   (f) Time value of money

6. Summarized below are the income and expenditure forecasts of Ahluwalia Ltd. for the month of March to August, 2013 :

Month	Sales (credit)	Purchases (all credit)	Wages	Manufacturing expenses	Office expenses	Selling expenses
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following further information :

(a) Plant costing ₹ 16,000 is due for delivery in July payable 10% on delivery and the balance after 3 months.

(b) Advance tax of ₹ 8,000 is payable in March and June each.

(c) Period of credit allowed (i) by suppliers 2 months and (ii) to customers 1 month.

(d) Lag in payment of manufacturing expenses 1/2 month.

(e) Lag in payment of all other expenses 1 month.

You are required to prepare a **cash budget** for 3 months starting on 1^{st} May, 2013 when there was a cash balance of ₹ 8,000. *20*

7. For each of the following projects, compute (i) pay-back period, (ii) post-back profitability and (iii) post-back profitability index : *20*

(a) Initial Outlay	₹ 50,000
Annual Cash Inflow (After tax but before depreciation)	₹ 10,000
Estimated Life	8 years
(b) Initial Outlay	₹ 50,000
Annual Cash Inflow (After tax but before depreciation)	
First Three years	₹ 15,000
Next Five years	₹ 5,000
Estimated Life	8 years
Salvage	₹ 8,000

8. Proforma cost sheet of a company provides the following particulars :

Elements of cost : Materials 40%; Direct labour – 20%; Overheads – 20%.

The following further particulars are available :

(a) It is proposed to maintain a level of activity of 2,00,000 units.

(b) Raw materials are expected to remain in stores for an average period of one month.

(c) Materials will be in process, an average of half month.

(d) Selling price is ₹ 12 per unit.

(e) Finished goods are required to be in stock for an average period of one month.

(f) Credit allowed to debtors is two months.

(g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern.

Prepare a statement showing the details of **net working capital**. *20*