



Biyani Girls College
I Internal Examination 2019-20
BBA (II Year)
Subject- Business Finance

Time: 1.30 Hrs.

Set: B

MM: 40

[I] Multiple Choice Questions

(10*1=10)

1(d), 2(b), 3(d), 4(a), 5(b), 6(c), 7(a), 8(c), 9(d),10(a)

[II] Long type Questions:

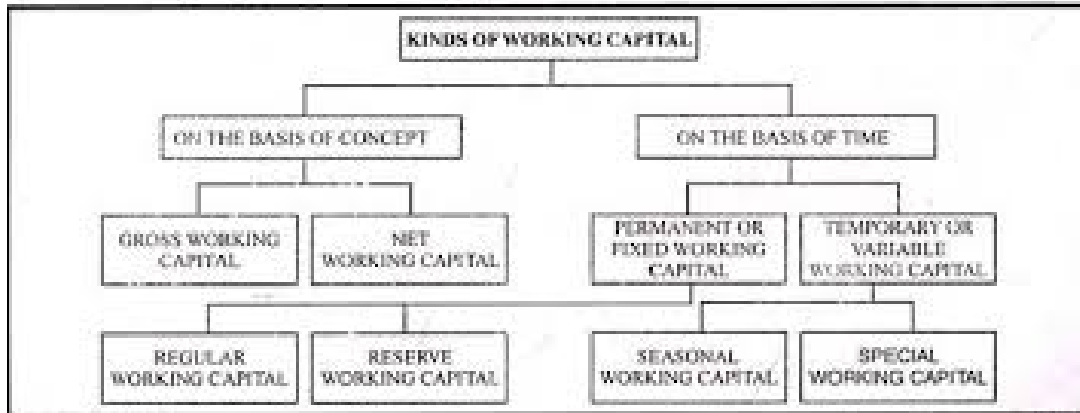
(10*3=30)

Ans(1)we have two concepts of working capital, viz., Gross concept and Net concept.

1. Gross workingcapital refers to investment in all current assets -raw materials, work-in-progress, finished goods, book debts, bank balance and cash balance. The gross concept of working capital is significant in the context of measuring working capital needed, measuring the size of the business, continued and smooth flow of operations of the business and the like.
2. Net working capital refers to the excess of current assets over current liabilities. That is, value of current assets minus value of current liabilities (current liabilities include trade creditors, bills payable, outstanding expenses such as wages, salaries, dividend payable and tax payable, bank overdraft, etc.) The net concept of working capital is significant in the context of financing of working capital, the short term liquidity aspects of the business, and the like.

Gross working capital is a going concern concept that enables the financial planner to provide the proper amount of working capital at the right time, so that the operations of the business are not interrupted and the return on capital investment is maximized.

Net working capital may be positive or negative. A positive net working capital arises when current assets exceed current liabilities and a negative working capital occurs when current liabilities are in excess of current assets. It shows bad liquidity position. This is a qualitative concept which highlights the character of the sources from which the funds have been procured to support that portion of the current assets which is in excess of current liabilities.



Ans(2) (a) Economic order quantity – 3394 units

$$= (2 \times 48000 \times 45) / 0.375 = 11520000$$

$$\text{Square root} = 3394$$

(b) ROL – 4840 units

$$\text{ROL} = (\text{Lead time} \times \text{Usage rate}) + \text{safety stock}$$

$$= \{24 \times (48000 / 300)\} + 1000$$

= 4840 units

(c) Cost at EOQ - Rs.121273

$$= 48000 \times 2.5 + (48000 / 3394) \times 45 + (3394 / 2) \times 0.375$$

Cost at 3000kgs lot size – Rs.115254

$$= 48000 \times 2.375 + (48000 / 3000) \times 45 + (3000 / 2) \times 0.356$$

$$= 115254$$

Hence proposal of supplier should be accepted as it leads to discount of Rs.6019.

Ans(3)

Balancesheet of Ram ltd :

Liabilities	Amount (in Rs.)	Assets	Amount (in Rs)
capital	8,00,000	Fixed assets	10,00,000
Other outside liab.	16,00,000	Other current assets	13,00,000
		Closing stock	1,00,000
Total	24,00,000	Total	24,00,000