

**Q1A) multiple choice questions.(Any8)**

(8)

1. Working capital source of finance is a.....  
a) Short term source b) Medium term source c) Long term source d) Mix source
2. RBS recommended..... methods to finance working capital requirement  
a) One b) Two c) Three d) Four
3. .... helps to forecast the future cash position of the firm.  
a) Cash book b) Cash flow statement c) Cash budget d)Cash account
4. Cash balance is.....  
a) Permanent asset b) Current asset c)Fictitious asset d)Intangible asset
5. Cash budget is a summary of....  
a) Expenses b) Income and Expenses c) receipt and Payments  
d)Assets And Liabilities.
6. EOQ stands for.....  
a) Even order quantity b) Economic order quantity c)Economic order quality  
d)Economically odd quantity.
7. Name the committee appointed by RBI to recommend working capital financing.  
a) ShriKrishna committee b) P.L Tandon committee c) K.M Birla committee d) Joint  
parliamentary committee
8. Financial leverage is.....  
a)EBIT/EBT b) EBT/EBIT c) Contribution /EBIT d) Contribution /EBT
9. Inventories are also termed as.....  
a) stock b) fixed assets c)current assets d)shares
10. Permanent working capital is also known as.....  
a) Core working capital b) Net working capital c) Gross working capital  
d) Seasonal Working capital

**B) State whether the following statements are true or false.(Any 7)**

(7)

1. In LIFO method, closing stock is valued at oldest price of materials.
2. Slow movement of working capital cycle necessitates larger provision of working capital.
3. Longer the production cycle larger will be the requirement of working capital.
4. Working capital gap means current assets - core current assets.
5. Depreciation is not recorded in the cash budget.
6. Cash budget is futuristic.
7. Trade credit is a source of working capital.
8. In a competitive market a higher volume of sales is made on credit.
9. In FIFO method, stock purchased first is deemed to be issued last.
10. Fixed Assets must be financed from long term sources.

**Q2A) The board of directors of Sonia limited required you to prepare a working capital estimation for the coming year the details of the company are as follows**

(15)

The number of units being produce currently Rs 50000 units per annum.

The raw material cost is rupees 180 per unit.

The wages are rupees 40 per unit

The fixed overheads are rupees 100 per unit

The selling price per unit is Rs 680.

Other details are as follows

- 1.Raw material are in store on an average one month along with the finish goods.

2. Material progress is on an average for 15 days(consider it 0.5months)
3. Credit allowed by supplier is for 1 month
4. Time lag in collection from debtors is 4 month.
5. time lag in payment of wages is one month and that of overheads is 3 months.
- 20% of the output is sold against credit. Caution hand is RS 300000.

OR

**Q2B)** Calculate the maximum permissible Bank finance as per Tandon committee Norms with the help of following information (all three methods). (8)

- a) current assets Rs.23,85,385
- b) Current liabilities Rs.5,58,461
- c) Core current assets 25% of Current assets..

**B)** Prepare the collection of debtors schedule from April to July with the help of following information. (7)

Months	Sales (Rs)
January	180000
February	192000
March	108000
April	174000
May	126000
June	140000
july	160000

50% of the sales are on credit out of which 60% are realised in the month following the sale and remaining in the second month.

**Q3.A)** prepare cash budget of Sachin Tendulkar limited for the month of April, May, and June 2022. (15)

Months	Sales(Rs)	Purchases(Rs)	Wages(Rs)	Expenses (Rs)
January	160000	90000	40000	10000
February	160000	80000	36000	12000
March	150000	84000	44000	12000
April	180000	100000	48000	14000
May	170000	90000	40000	12000
June	160000	70000	36000	10000

You are informed that:

1. 50% of the purchases and sales are on cash
2. The average collection period of the company is half month and a credit purchase are paid of regularly after 1 month.
3. Time lag in payment was wages is 1 month
4. Rent of rupees 1000 is payable every month.
5. Cash and bank balance on 31st of March 2022 was RS 300000.
6. Dividend received in May Rs36000
7. Professional fees to be paid in June Rs 1500
8. Expenses are paid in the same month.

OR

**Q3B)** kNP limited has made the following sales estimates for April, May and June for the year 2020 from which you are required to prepare a sales budget by units and rupees for each of the three months for each sales area and in total. (15)

Sales Area	April(%)	May(%)	June(%)
A	40	30	30
B	45	35	20
C	40	35	25
D	30	40	30

The area wise unit sales are expected as Follows

Sales Area	Sales (Units)
A	2500
B	2000
C	3000
D	6000
<b>Total</b>	<b>13500</b>

The Selling price has been fixed at rupees 6 per unit in area A , rupees 8 per unit in area B, rupees 12 per unit in area D and Rs 10 per unit in area C.

**Q4A).** Calculate the degree of operating leverage degree of financial leverage and the degree of combined leverage for the following forms and interpret the results. (15)

Firms	A	B	C
Output(units)	60000	15000	100000
Fixed Cost(Rs)	7200	14000	1500
Variable Cost p.u (Rs)	0.2	1.5	0.02
Interest On borrowed capital(Rs)	4000	8000	Nil
Selling Price p.u(Rs)	0.6	5	0.1

OR

**Q4B)** Following purchases were made of pipe 6". (15)

Receipts:	No pf pipes	Rate p.u(Rs)
4th june 2020	20	15
17th june 2020	30	14
2nd july2020	40	14.5
30th july 2020	30	13
<b>Issues:</b>		
20th June 2020	25	
5th July 2020	40	
31st July 2020	45	

On 28th July 2020,



2 pipes issued on 28 June 2020 were received back out of which one pipe was found damaged on 28th July 2020 and had to be discarded.

Enter the above transaction in the store using the LIFO method of pricing the issue.

**Q5.A)** What are the types of Leverages and write its importance. (8)

**B)** What is Receivables? What are the features of Receivable Management? (7)

OR

**Q5 B)** Short Notes (Any Three) (15)

1. Types of working Capital
2. Working Capital Cycle (Operational)
3. Importance of working capital management
4. Break even point
5. Strategic Financial Management