[Time: 2:30 Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B: 1. All Questions are Compulsory.
2. Each Question Carries 15 Marks.
3. Support your Answer with Required Working Notes.

Q.1 A) Match the Column **(any 8)** **[08]**

'A'	'B'
1. Cash sales	a. Source of working capital
2. Credit sales	b. Depreciation is ignored
3. Commercial bill	c. Less working capital
4. Cash budget	d. Operating leverage X Financial leverage
5. Debenture interest	e. Operating expenses
6. Equity	f. Expensive source of finance
7. Debt	g. Cheapest source of finance
8. Operating leverage	h. Interest
9. Finance leverage	i. Tax deductible expenditure
10. Combined leverage	j. More working capital

B) Fill in the Blanks **(any 7)** **[07]**

1) Temporary working capital is known as core working capital.
2) Permanent working capital remains constant.
3) Trade credit is a source of working capital.
4) Combined leverage should be as low as possible.
5) Capital expenditure process is a financial procedure.
6) Financial plan should be complicated.
7) Management of inventory is function of finance manager.
8) ABC analysis refers to activity based analysis.
9) Receivable management affects shareholders value.
10) CRISIL awards Al plus.

Q.2 A) Apollo Ingredients Ltd A star export house wishes to raise 2,00,00,000 for expansion project. It expects to earn 30% on its new investments before paying its interest and tax obligations. The cost raising debt capital is 15%p.a while equity shares with face value of Rs 100 can be sold at 150% premium in the market. The following options are available with the company. **[15]**

Options	Debt	Equity
I	50%	50%
II	100%	-
III	-	100%

The company falls under 25% tax bracket. Determine the most feasible option.

OR

Q.2 B) The Procurement department of Sun Ltd has collected the following data for its product as below- **[08]**

Opportunity Cost	20% of Purchase price per unit
Inspection Cost	Rs 60 per lot of order
Cost of placing an order	Rs 200 per order
Pilferage	10%
Procurement Cost	Rs 40 per order
Annual Requirement of Product	1000 units
Raw Material required per unit	3 kgs
Cost per unit	Rs24

Calculate EOQ level and Number of orders to be placed m a year.

Q.2 C) Moon Ltd has recorded a sales of Rs 50,00,000 in the financial year 2016-2017 and increased by 25% in the financial year 2017-2018. The variable costs continue to remain 60% of the sales while fixed cost excluding interest increases from Rs 1,00,000 to Rs 1,50,000 in the year 2017 - 18. The capital structure undergoes no change and comprises of 12% Debentures of Rs 25,00,000 and Equity shares and reserves and surplus in the ratio 4:1 of Rs 25,00,000. The face value of debentures is Rs 100 while for shares it is Rs 10. The company falls under 30% tax bracket. Calculate operating and financial leverages for the year 2016-17 and 2017- 18 and write a brief comment on same. **[07]**

Q.3 A) Prepare cash budget of Sunil Gavaskar Ltd. For the months of April, May and June, 2018. **[15]**

Month	Sales (Rs)	Purchases (Rs)	Wages (Rs)	Expenses (Rs)
January	1,60,000	90,000	40,000	10,000
February	1,60,000	80,000	36,000	12,000
March	1,50,000	84,000	44,000	12,000
April	1,80,000	1,00,000	48,000	14,000
May	1,70,000	90,000	40,000	12,000
June	1,60,000	70,000	36,000	10,000

You are informed that:

1. 50% of the purchases and sales are on cash.
2. The average collection period of the company is ½ month and credit purchases are paid off regularly after 1 month.
3. Time lag in payment of wages is 1 month.
4. Rent of Rs. 1,000 is payable every month.
5. Cash and Bank balance as on 31st March, 2018 was Rs. 3,00,000.
6. Dividend received in May Rs. 36,000.
7. Professional fees to be paid in June Rs. 1,500.
8. Expenses are paid in the same month.

OR

Q.3 B) Maya limited has made the following sales estimates for October, November, and December 2018 from which you are required to prepare 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 re expected as follows,

Sales Area	Sales (units)
A	2,500
B	2,000
C	3,000
D	6,000
Total	13,500

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

Q.4 A) Angad Ltd currently wishes to increase its sales by following liberal credit policies. The CFO is asked to evaluate the following credit polices with the help of information provided below – **[15]**

Particulars	Present Policy Credit Period- 3 months	Option I Increase by 1 month	Option II Increase by 2months
Annual Sales Turnover	100	125	150
Bad debts (% of sales)	3%	5%	7%
Cash Sales (% of Annual Sales turnover)	20%	20%	20%
Variable Cost (As % Of Sales)	75%	80%	80%

The required rate of return is 35%. Calculate opportunity cost on variable cost only.

OR

Q.4 B) The Financial Officer of Phantom Ltd. requests you to prepare a statement showing the requirements of working capital for a forecast level of 1,00,000 units .Following information is made available. **[15]**

Raw material	Rs 600 p. u.
Labour	Rs 225 p. u.
Overheads manufacturing	Rs 300 p. u.
Overheads selling and distribution	Rs 150 p. u.

Additional information:

a) Selling price Rs.1500 per unit
b) Raw material in stock Average 1 month
c) W.LP average 1.5 month assume labour and overheads to be 40%
d) Finished goods in stock average 1 month
e) Credit allowed to debtors average 2 months
f) Credit allowed by suppliers average 1.5 month
g) Cash at Bank is expected to be Rs.75,000
h) Core current assets Rs.6,00,000

Find out MPBF under all methods suggested by Tandon committee.

Q.5 A) Discuss the factors determining the working capital needs of a trading organization. **[08]**
B) Discuss the functions of strategic financial management. **[07]**

OR

Q.5 Write short notes on: **(any three)** **[15]**

1. Zero Based Budgeting
2. Operating Cycle
3. Trading on Equity
4. Certificate of Deposits
5. 5. Motives for holding cash

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