VCD 01/04/23 SYBIM SEM-IV FINANCIAL MANAGEMENT -II 75 Marks 2 ½ hrs SYBIM, Extra

(NOTE: All Questions are Compulsory.)

1. **(A) State whether following statements are True or False: (Any Eight)** **(8)**

a. Trade credit is a source of working capital.
b. As per FIFO method, the earliest lots are exhausted first.
c. Fixed Assets must be financed from long term sources.
d. A cash budget can be prepared monthly or quarterly.
e. Stores ledger is maintained in the cost accounting department.
f. Training staff involved in the budget committee is essential.
g. Fixed budget is also called a static budget.
h. Receivable does not include Creditors.
i. Higher rate of stock turnover improves liquidity.
j. Bank provides both short term as well as long term sources of finance.

1. **(B) Match the following: (Any Seven)** **(7)**

Group 'A'	Group 'B'
1. EOQ	a. Duration of Budget
2. Work-in-Progress	b. The level below which inventory is not allowed to go.
3. P/V Ratio	c. Economic Order Quantity
4. Budget period	d. Semi-Finished Goods
5. Minimum level of stock	e. Receives immediate Cash for sales made.
6. Method - I MPBF	f. Acknowledgement of goods delivery.
7. Cash Outflows	g. Contribution divided by Sales
8. Working Capital Financing	h. 0.75 (CA-CL)
9. Cash Sales	i. Payments
10. Delivery note	j. Short Term Sources

2. A) From the following data prepare a valued stock card for material ZED for the month of April, 2022 and value the closing stock by First in first out (FIFO) method: (8)

Date	Transaction
01/04/2022	Opening stock 100 units at Rs. 15 per unit
04/04/2022	Received 90 units at Rs. 16 per unit
07/04/2022	Issued 80 units
11/04/2022	Received 200 units at Rs. 17 per unit
14/04/2022	Issued 150 units
21/04/2022	Received 20 units at Rs. 25 per unit
25/04/2022	Issued 100 units
27/04/2022	Received 50 units at Rs. 16 per unit

2. B) From the following information calculate the E0Q of a particular component: **(7)**

Quarterly demand	2,500 units
Ordering cost	Rs. 200 per order
Inventory carrying cost	Rs. 0.50 per unit

OR

2. C) Prepare cash budget from the following information: **(15)**

Month	Sales	Purchases	Wages	Expenses	Other Expenses
Dec 2022	58,000	38,000	11,000	9,000	7,000
Jan 2023	97,000	27,000	14,000	8,000	6,000
Feb 2023	82,000	26,000	11,000	7,000	3,000
Mar 2023	98,000	24,000	21,000	5,000	4,000

Other information:

(a) Cash in hand on 1.12.2022 was Rs. 11,034 and any shortfall is to be met with through temporary loans.

(b) 30% sales are for cash and debtors get realized in a 2 months period equally.

(c) One month credit is available from creditors for purchases.

(d) All other expenses are incurred on the 1st of next month.

(e) Expenses include depreciation of Rs. 1,000 per month.

3. A) Present Situation **(15)**

Sales Rs. 80 Lakhs

Variable Cost= Rs. 50 Lakhs

Fixed Cost = Rs. 10 Lakhs

Credit to Debtors 20 days

Plan	Proposed credit period	Sales (Rs. in Lakhs)
1	30 days	100
2	40 days	120
3	50 days	135
4	60 days	150

Determine the Credit period that should be allowed by the company. Assume Return On Investment (ROI) @ 18%.

OR

3. B) Prepare an area wise and product wise sales budget for the following data: **(8)**

Product	January	February
X	400 units	600 units
Y	1200 units	1800 units

The sales areas A and B account for 60% and 40% sale of product x and 30% and 70% sale of product y.

The selling price per unit of product x was Rs. 8 and the selling price per unit of product y was Rs. 10.

3. C) The following information is available in respect of Milo Material. (7)

Re-order Quantity	3,000 units
Re-order Period	4 to 6 weeks
Maximum Consumption (per week)	800 units
Normal Consumption (per week)	600 units
Minimum Consumption (per week)	500 units

Calculate:
(a) Re-order Level
(b) Minimum Level
(c) Maximum Level
(d) Average Stock Level

4. A) The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity. (15)

	Expenses at 50% Capacity (Rs.)
Fixed Expenses:	
Salaries	50,000
Rent and Taxes	40,000
Depreciation	60,000
Administration expenses	70,000
Variable Expenses:	
Materials	2,00,000
Labour	2,50,000
Others	40,000
Semi-Variable Expenses:	
Repairs	1,00,000
Indirect Labour	1,50,000
Others	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when the capacity crosses by 75%.

Estimated Sales:

Capacity	(Rs.)
60%	11,00,000
70%	13,00,000
90%	15,00,000

OR

4. B) Calculate the operating leverage, financial leverage and combined leverage from the following data under Situation I and Financial Plan A and B. (8)

Installed capacity 4,000 units
Actual production and sales 75% of the capacity
Selling price Rs. 30 per unit
Variable Cost Rs. 15 per unit
Fixed Cost:
Under Situation I Rs. 15,000

	Financial Plan	
	A (Rs.)	B (Rs.)
Equity	10,000	15,000
Debt (Rate of Interest at 20%)	10,000	5,000
	20,000	20,000

4. C) X corporation has estimated that for a new product its breakeven point is 2,000 units if the item is sold for Rs. 14 per unit, the company has currently identified variable cost of Rs. 9 per unit. Calculate the degree of operating leverage for sales volume of 2,500 units and 3,000 units. What do you infer from the degree of operating leverage at the sales volume of 2,500 units and 3,000 units and their difference if any? (7)

5. (A) Explain Meaning & Features of Cash Management. (8)
(B) Describe the Meaning & Essentials of Materials Control. (7)

OR

5. Write short notes on: (Any Three) (15)
1. Motives of Holding Cash.
2. Elements of Working Capital.
3. Credit Analysis.
4. Types of Budget.
5. Zero-based Budgeting.