

Q. P. Code: 21853

[Time: 2 Hours]

[Marks:60]

Please check whether you have got the right question paper.

- N.B:**
1. All the questions are compulsory.
 2. Figures to right indicate full marks.
 3. Working note should be part of the answer.

(15)

Q.1. The Expenses budgeted for production of 15,000 units in a factory are furnished as follows:

Particulars	Per Unit Rs.
Material	75
Labour	30
Variable Expenses	25
Fixed Expenses(RS 1,50,000)	15
Variable Expenses(Direct)	10
Selling Expenses (10% Fixed)	18
Distribution Expenses (20% Fixed)	12
Administration Expenses (Rs. 1,00,000)(100% Fixed)	10
Total	195

Prepare a budget for production of 10,000 Units, 12,000 Units and 15,000 Units showing Variable Cost, Fixed Cost in amount and Cost Per Unit at each level of production.

OR

(15)

Q.1. The AB Company is planning to relax its credit policy to motivate customers to buy on new credit terms. It is expected that the Variable Costs will remain 75% of Sales. The Incremental Sales are expected to be sold on credit. For the perceived increase in risk in liberalising the credit terms, the company requires higher return. If the following is the projected information, which credit policy should the company pursue? (Assume 360 days in a year)

Credit Policy	Required Return	Collection Period	New Sales(Rs)
P	20%	40	3,00,000
Q	25%	45	4,00,000
R	32%	55	5,00,000

(15)

Q.2) Beeta Ltd. Has given the forecast sales for January 2017 to July 2017 and actual sales for November 2016 and December 2016. With the other particulars given, prepare a cash budget for the months i.e from January to May 2017.

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1) Sales information from November 2016 to July 2017

Sales	Rs.
November	3,60,000
December	3,40,000
January	3,60,000
February	4,00,000
March	3,60,000
April	4,00,000
May	3,80,000
June	4,40,000
July	4,00,000

2. Sales 20% cash and 80% credit, credit period two months.
3. Variable expenses 5% on turnover, time lag of half month.
4. Commission 5% on credit sale payable in two months.
5. Purchases are 60% of the sales , payment will be made in 3rd month of purchases.
6. Rent Rs. 50,00 paid every month.
7. Computer purchased on February for Rs.45,000 and in March for Rs. 1,00,000
8. Opening cash Balance Rs.50,000.
9. Tax paid in April Rs. 55,000

OR

(15)

Q.2. Evaluate a project by 1) NPV (Net present value) 2) PI (Profitability index) methods which requires an initial outlay of Rs.1,00,000 and generates revenue of Rs.60,000, Rs.30,000, Rs.20,000, Rs.50,000 and Rs.50,000 from the end of first year to the end of fifth year. The required rate of return is 10% and income tax rate is 50%. The present value of Rs.1 at 10% Discounting factor:

Year	1	2	3	4	5
Discounting Factor	0.909	0.826	0.751	0.683	0.621

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Q.3 . XYZ Ltd. provides you the following information:

Life of Machine	5 Years
Estimated salvage value	Rs.3,00,000
Actual salvage value realised at the end of life	Rs.3,40,000
Method of depreciation	Straight Line
Tax rate	30%
Cost of capital	10%
Purchase price of each machine	Rs.13,00,000
Working capital	Rs.7,00,000
Earnings before depreciation and tax:	

Year	Machine A	Machine B	P.V. @ 10%
1	7,00,000	4,00,000	0.909
2	7,00,000	3,00,000	0.826
3	7,00,000	5,00,000	0.751
4	7,00,000	7,00,000	0.683
5	7,00,000	25,00,000	0.621

Calculate Net Present Value and select the most profitable machine.

OR

(15 Marks)

Q.3.Shri Ram Ltd. Gives you the following cost details for Manufacture of Product “S” at capacity level of 20,000 Units.

Particulars	Rs.	Nature of Variability
Direct Material	14,00,000	100% Variable
Direct Labour	10,00,000	100% Variable
Factory Overhead:		
- Lighting	4,80,000	75% Variable
- Repairs	6,00,000	50% Fixed
- Depreciation	3,60,000	100% Variable
Office Overheads	2,00,000	10% Variable
Selling Overheads	2,20,000	50% Variable
Total	42,60,000	

Prepare a production cost budget for production of 12,000 Units and 16,000 Units, showing total cost and unit cost at each level.

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Q.4.A) Select the most appropriate alternative and rewrite the sentence. **(08)**

1. A budget that gives a summary of all the functional budget is known as _____

- 1) Capital budget 2) Flexible budget 3) Master budget 4) Fixed budget

2. The basic objectives of strategic financial management is _____

- 1) Maximisation of profits 2) Maximisation of shareholders wealth
3) Ensuring financial discipline in the organisation 4) none of the above

3. EOQ is the quantity that minimizes _____

- 1) Total ordering cost 2) Total inventory cost 3) Total interest cost
4) Safety stock level

4. ABC Analysis is used in _____

- 1) Inventory Management 2) Receivables Management 3) Accounting policies
4) Corporate governance

5. Which of the following is not an element of credit policy?

- 1) Credit Terms 2) Collection policy 3) Cash discount terms
4) Sales price

6. Miller –Orr model deals with _____

- 1) Optimum cash balance 2) Optimum finished goods 3) Optimum receivables
4) All of the above

7. The total Current Assets without deducting the Current Liabilities _____

- 1) Gross Working Capital 2) Net Working Capital 3) Permanent Working Capital
4) Temporary Working Capital

8. Capital Budgeting Decisions are based on _____

- 1) Incremental Profit 2) Incremental Cash Flow 3) Incremental Assets
4) Incremental Capital

Q.4.B) State whether the following statements are True or False and rewrite the sentence

(reason not required) **(07Marks)**

1. Credit purchase can be a good source of short-term finance.
2. Depreciation is added back to annual income while Computing Average Rate of Return.
3. Capital expenditure benefits accrue only in the current period.

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4. Higher bank overdraft means higher working capital.
5. Receivable management deals only with the collection of cash from the debtors.
6. Average inventory in EOQ model is $\frac{1}{2}$ of EOQ.
7. Fixed budget refers to budget for fixed assets.

OR

Q.4. Write Short note. (Any three)

(15Marks)

1. Long term sources of finance
 2. Types of working capital
 3. Factors affecting working capital
 4. Objectives of Cash Management
 5. ABC classification
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