18/12/18 Mcom (Choice Based)

**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.

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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(15)

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.

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 ½ 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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