Time: 2 Hours Marks: 60

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

Q.1 A The following information is taken from functional budgets of ABC Ltd. You are required to prepare a cash budget for three months ending 31st March, 2023 where Cash and Bank balance on 1st January, 2023 is expected to be Rs. 25,000. 15

Months	Sales	Purchases	Administrative overheads	Selling Overheads
November	30,000	20,000	3,200	6,000
December	30,000	30,000	3,600	6,000
January	40,000	20,000	4,000	6,400
February	50,000	30,000	4,400	7,200
March	36,000	20,000	4,800	8,000

1. Credit extended by the Creditors is 2 months.
2. Time Lag in payment of Administrative Overheads and Selling overheads are 1/2 month and 1/4 month respectively.
3. Credit terms are Sales/Debtors - 20% sales are on cash; half of the credit sales are collected next month and the balance half in the following month
4. Plant at a cost of Rs. 1,00,000 will be installed in November, 2022. The installments of Rs. 5,000 p.m. are payable from January, 2023 onwards
5. Annual Dividend at a rate of 5% p.a. will be paid on 1st March, 2023 to shareholders with shareholdings of Rs. 3,80,000 whereas on the same date Interest on investment Rs. 14,000 is to be received.

OR

B A Company produces 2,160 units (at 90% capacity) and the following expenses are incurred: 15

Particulars	Cost Per Unit (Rs.)
Direct Materials	80
Direct Wages	40
Direct Expenses (100% Variable)	50
Administrative Overheads (50% Variable)	30
Selling Overheads (60% Variable)	60
Distribution Overheads (20% Variable)	30
Selling Price (Per unit Rs. 600)	

Prepare Flexible Budget for 80% and 100% capacity utilization.

Q.2 A Ramkrishna Manufacturing is considering a proposal for investment. The details available are as follows. **15**

Cost of equipment	6,00,000
Installation charges	1,00,000
Realizable value at the end of its life	50,000
Working capital required	40,000
Tax applicable	30%

The annual cash flow and PV Factor @12% are

Year	PV Factor @ 12%	Inflow before depreciation and tax (Rs.)
1	0.893	1,80,000
2	0.797	2,00,000
3	0.712	2,40,000
4	0.636	2,50,000
5	0.567	2,20,000
6	0.507	2,00,000

Depreciation is chargeable @ 20% under Straight line method.
Evaluate the proposal under Net Present Value method.

OR

Q.2 B Gurudatta Enterprises is in the process of expansion of its manufacturing capacity. For this purpose, it is comparing between two mutually exclusive proposals Machine P & Q. The information available is as follows. **15**

Particulars	Machine P	Machine Q
Cost (Rs.)	10,00,000	12,00,000
Working capital (Rs.)	1,00,000	1,50,000
Realisable value at the end of useful life (Rs.)	50,000	2,00,000
Inflow after tax before depreciation (Rs.)	3,50,000	3,00,000
Estimated life	6 years	6 years

Advice the management in finalization of the proposal using Net present value method. Present value factor @ 9% is

Year	1	2	3	4	5	6
PV Factor	0.917	0.842	0.772	0.708	0.650	0.596

Q.3 A DBJ Ltd has average annual turnover of Rs.12,00,000 and average collection period of 30 days. The company wants to experiment with different credit policies to improve the profitability. From the following information, suggest the suitable policy to increase the profit level of the company. 15

	Sales (Rs.)	Credit allowed	Bad debts %
Present policy	12,00,000	30 Days	2%
Credit Policy I	16,00,000	45 Days	3%
Credit Policy II	21,00,000	60 Days	5%
Credit Policy III	30,00,000	90 Days	10%

Required rate of return on investment is 25% (considering debtors at selling price). Selling price per unit is Rs.50 and variable cost is 70% of selling price. Assume 360 days a year for calculation purpose.

OR

B Annual consumption 40,000 units @ Rs.10 per unit. 15
Cost of placing an order Rs.120
Cost of processing an order Rs.130
Cost of storage per unit per annum 50% of cost of material
Calculate EOQ using formula and table method considering order size of 40,000 units, 20,000 units, 8,000 units, 5,000 units and 2,000 units.

Q.4 A Choose the correct alternative and fill in the blanks 8

1) Internal Rate of Return is the rate of interest at which ________.
   i. Net Present Value is maximum
   ii. Net Present Value is zero
   iii. Pay back period is zero
   iv. Pay back period is minimum

2) Inflow before tax is Rs.80,000. Tax rate is 30%. Inflow after tax = ______.
   i. Rs. 24,000
   ii. Rs. 1,04,000
   iii. Rs. 56,000
   iv. Rs. 80,000

3) Increase in credit period from creditors will result in _______.
   i. Increase in working capital
   ii. Increase in inventory
   iii. Decrease in working capital requirement
   iv. Decrease in inventory

4) ________ is suitable source of finance for working capital requirements.
   i. Issue of debentures
   ii. Issue of preference shares
   iii. Bank overdraft
   iv. Mortgage loan

5) In ABC analysis, A items are ________.
   i. Large in quantity but cheap in price
   ii. Small in quantity but costliest
   iii. Moderate in quantity and moderate in price
   iv. Large quantity and costliest

6) Ageing schedule is related with ______.
   i. Working capital duration
   ii. Capital repayment duration
   iii. Debtors collection period
   iv. Loan repayment period

7) ______ budget considers different levels of output.
   i. Master budget
   ii. Flexible budget
   iii. Variable budget
   iv. Zero based budget

8) EOQ is related with _______.
   i. Inventory management
   ii. Cash management
   iii. Receivable management
   iv. Marketing management

Q.4 B State whether the following statements are True or False — 7

1) Capital Rationing is caused by both internal and external factors.
2) Credit standards are termed as the standards minimum requirements for granting credit.
3) Excessive inventory creates a shortage of cash.
4) Lag in payment of overheads increases working capital requirement.
5) Performance of any organization depends on critical management
6) Strategic Financial Management does not include strategic investment management decisions.
7) Tax saving on retrenchment compensation is treated as cash inflow

OR

Q.4 Write Short Notes on **(Any Three)** — 15

A Types of Budgets
B Purpose of Capital Budgeting
C Long Term Sources of Finance
D Financial Planning
E Techniques of Inventory Management

****