(3 Hours) Marks : 100

N.B: 1) All questions are compulsory with internal options.
2) Q.1 & Q.6 carry 20 marks and Q.2 to Q.5 carry 15 marks each
3) Working notes form a part of the answer and have to be solved immediately after question and not on the last page of the answer sheet.

Q1) Objective Question (20)

A) State whether the following statements are **True or False (any 10)** (10)

1) Capital budgeting decisions are short term investment decision.
2) Net Present Value methods does not take time value of money in to consideration.
3) A large sized organization requires less working capital.
4) Trade Credit increases working capital.
5) Credit terms should be ideally specified in the invoice.
6) Cash budget represents the cash receipts and cash payments.
7) Reduced Payment of dividend will improve the liquidity and cash position.
8) Carriage inward should be added to purchases.
9) Profit is excess of contribution over fixed cost.
10) At break even point the organization is at no profit no loss stage.
11) Average holding period of current assets decides requirement of working capital.
12) Prime cost is indirect cost.

B) Match the following **(any 10)** (10)

Sr No	A	Sr No	B
1	Capital Budgeting Decision	A	One of the technique to manage debtors
2	Scrap Value	B	Fixed Cost + Profit
3	Cash budget	C	Actual sales- BEP sales
4	Negative working capital	D	Average net profit / Average investment
5	Gross working capital	E.	Proportion between contribution & sales
6	Factory Cost	F	Factory labour
7	Indirect wages	G	Prime cost plus factory overhead
8	PV ratio	H	Total Current Asset
9	A.R.R.	I	Excess of current liability over current assets
10	Margin of safety	J	Total Receipt less Payment
11	Contribution	K	It is an income
12	ABC Analysis	L	Can be reversed easily

Q.2 Thakkar Electronics is considering the purchase of a machine. Two Machine A and B are available each at cost of Rs. 2,00,000/-. (15)

Cash Flow after taxation are expected as follows:

Year	1	2	3	4	5
Machine A	60,000	80,000	1,00,000	60,000	40,000
Machine B	20,000	60,000	80,000	1,20,000	80,000

The Present value factors are

Year	1	2	3	4	5
Discount factor 10%	0.909	0.826	0.751	0.683	0.621

Which machine would be more profitable investment under the various methods of ranking investment proposal ?

a) Payback period
b) Payback profitability
c) Return on Investment
d) ARR
e) Discounted Cash flow

OR

Q.2 XYZ project needs an initial investment of 1,00,000/- Tax rate is 55%. The company follows Straight line method of depreciation and the proposed inflows (before tax and depreciation) over its expected useful life are: (15)

Year	1	2	3	4	5
Inflows Rs.	20,000	20,000	30,000	30,000	50,000

Determine:

a) Payback period
b) Payback period profitability
c) Average Rate of return (before tax)

Q.3 The Profit and Loss account of Bahadur Ltd for the year ended 2018-19 is as under: (15)

Particulars	Rs.
Sales	18,25,000
Consumption of Material	10,03,750
Labour	3,65,000
Overheads	2,73,750
Profit	1,82,500

The following additional information is furnished

i) Stock of material will be equal to 75 days of consumption

ii) Stock of finished goods will be equal to 45 days production

iii) Credit period to be allowed to sundry debtors will be an average of 60 days

iv) The credit period to be enjoyed from supplier of material be 50 days.

v) Time lag in payments of labour and overhead will be 15 days

vi) The amount of cash on hand and at bank will be an average Rs. 26,250/-

vii) 30% of the sales will be for cash.

You are required to estimate the amount of working capital required. State the assumptions you have made.

OR

Q.3 Kanchan Ltd. Furnishes the following information and requests you to prepare a statement of showing the requirement of working capital. **(15)**

Production capacity 18,000 units which is evenly spread during the year

Cost Sheet	Per Unit Rs.
Raw Material	2.5
Direct Labour	1.5
Overhead	1
Profit	1
Selling Price	6

Other Information:

i) Raw Material remain in stock for one month
ii) processing time is nil
iii) Finished goods remain in stocks for 02 months
iv) Credit allowed to debtors is 02 months
v) Credit allowed to creditors is 01 month
vi) The company intends to maintain cash on hand and balance at bank equal to one month's raw material cost, two month's labour cost and three month's overhead cost for the contingencies.
vii) 20% of the sales are for cash

You are required to prepare a statement showing working capital requirement for the company.

Q.4 Heena garments ltd is a leading manufacturer of Jeans & sells them on credit basis through a network of dealers. It present sale is Rs. 30 lacs per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increase sales. Present Variable cost are 70% of sales and the total fixed cost is Rs. 4 lacs per annum. The company expects pre-tax return on investment @25%. Some other details are given as under. **(15)**

Proposed Credit Policy	Average Collection Period (days)	Expected Annual Sales (Rs. lakh)
I	30	65
II	40	70
III	50	74
IV	60	75

Required: Which credit policy should the company adopt? Present your answer in a tabular form. Assume 360 days a year. Calculation should be made up to 02 decimal.

OR

Q.4 Prepare Cash Budget of Chandwani Fabrics for the month of April 2018 to July 2018(four months) from the details given below: **(15)**

a) Estimated Sales during the year

February	March	April	May	June	July	August
6,00,000	6,00,000	8,00,000	10,00,000	9,00,000	8,00,000	7,00,000

b) In an average 20% of the sales are cash sales. The credit sales are realized in the third month (January sales in March)

c) Purchase amount of to 60% of sales. Purchase made in a month are generally sold in the third month and payment for purchase is also made in the third month.

d) Variable expenses (other than sales commission) constitutes 10% of sales and there is a time lag of half a month in these payment.

e)Commission on sales is paid at 5% of sales value and payment is made in the third month.

f) Fixed expenses per month amount to Rs. 37,500/-

g) Other items anticipated :

Particulars	Rs.	Due
Interest Payable on deposits	80,000	April 2018
Sale of Old Asset	6250	May 2018
Payment of Tax	40,000	June 2018
Purchase of Fixed Asset	3,25,000	July 2018

h) Opening cash balance Rs. 75,000/-

Q.5 Prepare cost sheet to show total cost of production and cost per unit of goods manufactured by a company for the month of July 2018. Also find the cost of sales. **(15)**

	Rs.		Rs.
Stock of		Factory Rent	3,000
Raw Material 1.7.2018	3,000	Other Rent	5,00
Raw Materials Purchased	28,000	General Expenses	4,00
Stock of		Discount On Sales	3,00
Raw Material 31.7.2018	4,500	Advertisement Expenses to be charged fully	6,00
Manufacturing Wages	7,000	Income Tax Paid	2,000
Depreciation on Plan	1,500	Sales	50,000
Loss on sale of a part of plant	300		

The number of units produced during 2018 was 3,000. The stock of finished goods was 200 and 400 units on 1st July 2018 and 31st July 2018 respectively. The total cost of the units on hand on 1st July, 2018 was Rs. 2,800. All these had been sold during the month.

OR

Q5) Sandesh Ltd. provided following information : (15)

Fixed cost	Rs. 9,000
Variable cost	Rs. 15,000
Sale	Rs. 30,000
Unit Sold	5,000 units

Calculate the following :

a) Contribution
b) Break even point (in units and Amount)
c) Margin of safety
d) Profit
e) If profit Rs. 6,000 amount of sales required.

Q6 A) Define working capital discuss the classification of working capital (10)

Q6 B) Define Marketable Securities and discuss the various money market instruments (10)

OR

Q6) Write Short Notes on (any 04) (20)

1) Discuss the merits of Payback period as a method of capital budgeting

2) Explain the working capital cycle

3) Explain the 5C's of Credit

4) Discuss the features of marginal costing

5) Define Breakeven point and draw a specimen of break-even graph

6) Explain the strategies to improve liquidity position of an organization.
