

April 16

TY Bcom VI sem

F.M

QP Code : 18301

CBSGS (REVISED COURSE)

(2 ½ Hours)

[Total Marks : 75]

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

1. Dhoni Ltd. wants to purchase a machine. There are two models available in the market i.e. Machine X & Machine Y. The details are as follows : 15

	Machine X	Machine Y
Cost of Machine (Rs.)	3,20,000	4,80,000
Life of Machine (years)	4	6
Method of Depreciation	SLM	SLM
Tax Rate	40%	35%
Profit Before Tax & After Depreciation :		
Year 1	40,000	60,000
Year 2	80,000	80,000
Year 3	1,60,000	1,60,000
Year 4	2,40,000	2,40,000
Year 5	--	2,00,000
Year 6	--	1,50,000

Calculate: (i) Pay back period, (ii) Pay back profitability and (iii) Average Rate of Return

OR

- (a) Explain any two methods of evaluating capital budgeting decisions on the basis of time value of money 7.5
 (b) What do you mean by capital budgeting? Explain the various types of investment proposals 7.5

2. Taste buds Ltd. is presently operating at 50% level producing 15,000 packets of food and proposes to increase capacity utilization in the coming year by 20% over existing level of production. The following data has been supplied: 15

Unit cost structure of each packet of food at current level:

Particulars	Amt.
Raw Materials	20
Wages	10
Overheads	15
Profit	15
Selling Price	60

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Additional Information :

1. Raw materials will remain in stores for 1 month before being issued for production.
2. Material will remain in process for 15 days.
3. Suppliers grant 3 months credit to the company.
4. Finished goods remain in warehouse for 1 month.
5. Debtors are allowed credit for 2 months.
6. Lag in wages and overhead payments is 1 month.
7. No further increase in cost of inputs or selling price is envisaged.

Prepare an estimate of working capital requirement at the new level, assuming that a minimum cash balance of Rs.10,000 has to be maintained.

OR

- (a) Define working capital? Explain its importance. 7.5
- (b) Explain the factors determining working capital requirements. 7.5

3. From the financial data of Jayalakshmi Ltd., prepare a cash budget for the three months ended 30th June, 2015: 15

Month 2015	Sales (Rs.)	Purchases (Rs.)	Labour (Rs.)	Overheads (Rs.)
January (Actual)	2,00,000	1,10,000	50,000	16,000
February (Actual)	3,00,000	1,20,000	60,000	20,000
March (Actual)	2,50,000	1,40,000	64,000	24,000
April (Budgeted)	2,56,000	1,44,000	66,000	26,000
May (Budgeted)	3,80,000	1,60,000	80,000	40,000
June (Budgeted)	4,50,000	1,70,000	90,000	44,000

Company has the policy that purchases is 10% and sales is 20% for cash. Company collects money from the debtors after allowing them one month credit and managed to get two months credit from the suppliers. Labour are paid half monthly and overheads are paid every month regularly. Company has cash balance of Rs. 40,000 on 1st April, 2015 Company's management has decided to keep Rs. 30,000 at the end of each month in fixed deposits. Interest payable quarterly of Rs. 25,000 falls due in June.

OR

- (a) Define marketable securities. What are the factors that need to be considered for selection of securities? 7.5
- (b) What do you mean by accounts receivables? What are the aspects of receivables management? 7.5

4. Following figures have been taken from the financial records of Smitha Ltd. for the two years 2013-14 & 2014-15 15

Particulars	2013-14(Rs)	2014-15 (Rs)
Fixed Cost	1,80,000	2,20,000
Variable Cost	6,30,000	12,60,000
Total Cost	8,10,000	14,80,000
Profit	90,000	2,00,000
Sales	9,00,000	16,80,000

You are required to calculate for both the years:

- P/V Ratio
- Break Even Point
- Margin of Safety
- Sales required to earn a profit of Rs. 2,10,000.
- What will be the profit if sales are Rs. 12,00,000?

OR

- What is cost? Explain the classification of cost on the basis of elements, behaviour and functions. 7.5
- Write a note on Non Cost Items. 7.5

5. (a) State whether the following statements are **True** or **False** (No need to give reasons): 5
- Capital budgeting decisions can be easily reversed.
 - Special working capital is required to meet the changing seasonal requirements.
 - Pre-determined costs are ascertained after they are incurred.
 - Any sales below BEP sale leads to losses for the organisation.
 - Deficit in cash flow is an indication of financial crisis in an organisation. 5

(b) Match the following :

'A'

- ARR method
- Negative working capital
- Drawing House Salaries
- Cash Budget
- Credit Bureau

'B'

- Ensures sufficient cash availability
- Factory overheads
- Earlier the better
- Current Liabilities - Current Assets
- Profit after tax is considered
- Sources of credit information

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(c) Choose the correct alternative :

(1) In pay back profitability method of analysing capital expenditure decisions, which of the following criteria is considered?

- (a) Project with higher profits is selected
- (b) Projects with lower profits is selected
- (c) Projects with earlier recovery period is selected
- (d) Projects with higher profits is rejected

(2) Working capital cycle is influenced by which of the following factors?

- (a) Longer processing period
- (b) Credit allowed and received
- (c) Purchases on cash basis
- (d) All the above

(3) What is the formula for calculating works cost?

- (a) Materials + Wages + Direct Expenses
- (b) Prime Cost + Factory overheads + Office overheads
- (c) Prime Cost - Factory overheads
- (d) Prime Cost + Factory overheads

(4) Marginal costing is also referred to as _____

- (a) Unit costing
- (b) Contributory costing
- (c) Process costing
- (d) Contract costing

(5) The motive of holding cash to protect against emergencies and uncertainties is referred to as _____.

- (a) Transaction
- (b) Speculative
- (c) Precautionary
- (d) Regular

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