Q. P. Code:32529

[Time: 2:30 Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B: 1) All questions are compulsory with internal option.
2) All questions carry 15 marks each.
3) Working notes should form part of your answer & have to be solved immediately after the question & not on the last page of answer sheet.

Q.1 Chetan Ltd. wants to purchase a machine. There are two models available in the market. i.e. Machine A and Machine B. You are required to calculate the following: (15)

1) The pay back period
2) Pay back profitability and
3) Average Rate of Return

You may assume straight line method of depreciation.

	Machine A	Machine B
Cost of investment (Rs)	Rs. 96,00,000	Rs.1,44,00,000
Expected Life(no salvage)	4 Years	6 Years
Tax Rate	50%	50%
Profit before Tax and after Depreciation		
Year 1	Rs.12,00,000	Rs.18,00,000
Year 2	Rs.24,00,000	Rs.24,00,000
Year 3	Rs.48,00,000	Rs.48,00,000
Year 4	Rs.57,00,000	Rs.60,00,000
Year 5	Nil	Rs.45,00,000
Year 6	Nil	Rs.22,50,000

OR

Q.1 A) What is Capital Budgeting? Explain its importance. (7.5)

B) What is NPV ? Explain its merits and demerits. (7.5)

Q.2 A factory produces 1,200 units during the year and sells them for Rs.700 per unit. Cost structure of a product is as follows: (15)

a)

Raw Material	Rs.420
Labour	Rs.140
Overheads	Rs.35
Profit	Rs.105
Sales	Rs.700

The following additional information is available:

b) The activities of purchasing, producing and selling occur evenly throughout the year.

c) Raw materials equivalent to 2 months supply is stored in godown. 25% of the purchases of raw materials are in cash.
d) The production process takes one month.
e) Finished goods equal to three months of production are carried in stock.
f) 75% of the sales will be for credit. Debtors get 2 months credit.
g) Creditors allow one and half months credit.
h) Time lag in payment of wages and overheads is half month.

You are required to estimate the average working capital requirements of a factory.

OR

Q.2 A) Explain the working capital cycle. (7.5)
B) Explain the classification of working capital on the basis of time. (7.5)

Q.3 Param Ltd. wants you to prepare the cash budget of the company for the three months, April to June 2018. You are given the following information. (15)

1.

Particulars	Sales	Purchases	Wages	Other exp.
January	1,20,000	40,000	30,000	20,000
February	1,00,000	40,000	30,000	20,000
March	1,60,000	80,000	30,000	30,000
April	2,00,000	1,00,000	50,000	40,000
May	2,80,000	1,40,000	50,000	40,000
June	3,20,000	1,20,000	60,000	40,000

2. Sales are 20% cash and the balance at two months credit; purchases are at one months credit.
3. Wages are paid half month in arrears and the other expenses are paid one month in arrears
4. During May the company pays a dividend of 15% on its equity capital of Rs.4,00,000 and during June deferred payment installment(quarterly)of Rs.50,000 will fall due.
5. It is expected that at the end of march 2018 there will be cash balance of Rs.28,000.

Prepare the cash budget as requested by the company.

OR

Q.3 A) What are the different types of cost associated with Receivables Management? (7.5)
B) What are the sources of credit information? (7.5)

Q.4 From the following figures extracted from the books of Niharika Ltd. Prepare a cost sheet for the year ended 31st March 2018. (15)

Particulars	**Rs.**
Raw Materials Purchased	7,50,000
Direct Wages	5,25,000
Office Salaries	2,75,000
Carriage Inward	25,000

Carriage Outward	85,000
Sales	75,00,000
Opening Stock: Raw Materials	4,50,000
Work-in progress	2,50,000
Finished Goods	1,00,000
Conveyence	25,000
Advertising	75,000
Power	25,000
Plant Repairs	1,80,000
Building Rent & Rates (1/5 factory & 4/5 office)	30,000
General Expenses: Factory	30,000
Office	60,000
Building Repairs (1/5 factory & 4/5 office)	20,000
Depreciation- Plant & Machinery	80,000
Closing Stock- Raw Material	1,50,000
Work-in progress	1,50,000
Finished Goods	90,000
Interest	90,000
Depreciation of Furniture	40,000

Prepare a detailed cost statement assuming 5,00,000 units were produced during the year.

OR

Q.4 A) What is Marginal Costing? Explain its disadvantages? (7.5)
B) Explain the formulas used in calculation of marginal costing. (7.5)

Q.5 A) **Choose the correct alternative:** (05)

1) Capital expenditure decisions include__________.
a)Replacement decisions b) Modernization decisions c)Expansion decisions d)All of the above

2) Multinational organization requires__________.
a)Larger working capital b)Smaller working capital c)Minimum working capital d)None of the above

3) Sources of credit information include__________.
a)Trade checking b)Credit Bureau c)Bank Reference d)All of the above

4) Dock charges is a__________.
a)Direct cost b)Indirect cost c) Urgent cost d)Production cost

5) Margin of safety is referred to as__________.
a)Excess of sales over break-even sales b)Excess of sales over fixed cost
c)Excess of sales over variable cost d)Excess of sales over budgeted sales

Q.5 B) **State whether the following statements are true or false. (Reason not required)** (05)

1) Payback period method does not consider time value of money.
2) Trade credit is a source of working capital.
3) A letter of credit is issued by a bank on behalf of its customers.
4) The objective of cash management is to maintain optimum cash balance.
5) Marginal costing is a technique of decision making.

Q.5 C) **Match the column:** (05)

Group 'A'	Group 'B'
1) Capital budgeting decisions	a) Factory overheads
2) Positive working capital	b) Direct cost
3) Credit Bureau	c) More risky
4) Drawing office salaries	d) Excess of current assets over current liabilities
5) Marginal cost	e) Sources of credit information
	f) Excess of current liabilities over current assets
	g) Office overheads

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