SYBBI / Paper / Subject Code: 77909 / Financial Management II / 106

Duration – 2.5 Hrs

Marks – 75

Note: 1) All questions are compulsory.
2) Figures to the right hand side indicate full marks.
3) Suitable assumptions if any and working notes should form the part of your answer.

Q1A. State whether following statements are true or false (Any8) (08)

1) Type of investments depends on the age of investors.
2) Liquidity refers to convertibility of investments into cash.
3) Jewelry does not give recurring income to the investor.
4) Combined leverage should be as low as possible.
5) Fixed costs tend to remain fixed irrespective of variations in the volume of activity within a relevant range and during a defined period of time.
6) Re-order point takes into account safety stock requirements.
7) Loss on sale of investment is accounted for while preparing cash budget.
8) Good Receivables management help to prevent the risk of bad debts.
9) Motive for holding cash is a transaction motive alone.
10) Trade creditors are the spontaneous source of finance

B) Match the following (any seven) (07)

A	B
1. Commercial Paper	1. Debt Instruments
2. Equity Financing	2. Upper level of Inventory
3. Safety Stock	3. Issued by Central Government
4. Receivables Management	4. Maximize Liquidity Position
5. Maximum Stock	5. Sale of Shares
6. Wealth maximization	6. Increase sales and profit
7. Cash Management	7. Objective of financial management
8. Working Capital Management	8. Buffer Stock
9. Treasury Bill	9. Broad Based Function
10. Debt Financing	10. Issued by Corporates

Q.2.A) You are required to prepare a statement showing the working capital required to finance the level of 24000 units per year from the following information (15)

1) Raw materials are in stock on an average for two months
2) Materials are in process on an average for half a month
3) Finished goods are in stock on average for two months
4) Credit allowed by suppliers is 2 months and and credit allowed to customers is three months . 20% of goods are sold on cash
5) Lag in payment of wages and overheads is one month
6) Cash and Bank balance is Rs.2, 00,000
7) Cost per unit Rs

Raw material	10
Wages	5
Total cost	30

Profit is 20% on selling price

8) Core Current Assets Rs.50,000

Also find out the MPBF under all methods

OR

Q.2 B) Radiance Garments Ltd. manufactures readymade garments and sells them on credit basis (15) through a network of dealers. Its present sale is Rs. 60 lakhs per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increasing sales. Present variable cost are 70% of sales and the total fixed cost is Rs 8,00,000 per annum. The company expects pre-tax return on Total investment @25% .Some other details are given as under

Propose credit policy	Average collection period(Days)	Expected annual sales (Rs.)
I	30	65
II	40	70
III	50	74
IV	60	75

Which policy should company adopt? Adopt 360 days in a year

Q.3) A) Following details are available from the records of a firm. Prepare a cash budget for the (15) 3 months ending 30.06.2018

Month	Sales (Rs.)	Materials (Rs.)	Wages (Rs.)	Overheads (Rs.)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

Additional Information:

(a) 10% sales are on cash.
(b) 50% of the credit sales are collected next month and the balance in the following month.
(c) Period of credit allowed by suppliers 2 months.
(d) Delay in payment of wages 1/4th month.
(e) Delay in payment of overheads ½ month.
(f) Cash and Bank Balance on 1.04.2018 is expected to be Rs. 6,000.
(g) Plant and Machinery will be installed in February 2018 at a cost of Rs. 96,000. The monthly instalment of Rs. 2,000 is payable from April 2018 onwards.
(h) Advance to be received for sale of vehicle Rs. 9,000 in June 2018.
(i) Dividend from investments Rs. 1,000 is expected to be received in June 2018.
(j) Advance Income Tax to be paid in June 2018 Rs. 2,000.

OR

Q3.B Manat Ltd. Manufactures 10,000 units of Product JV at a cost of Rs. 90 per unit. Presently, the company is utilizing 50% of the total capacity. The information pertaining to cost per unit of the product is as follows: (15)

	Rs.
Material	50
Labour	10
Factory Overheads	20 (40% fixed)
Administrative overheads	10 (50% fixed)

Other information:

(a) The current selling price of the product is Rs. 100 per unit.
(b) At 60% capacity level – Material cost per unit will decrease by 2% and current selling price per unit will reduce by 2%.
(c) At 90% capacity level – Material cost per unit will decrease by 6% and current selling price per unit will reduce by 6%.

Prepare the budget for 60% and 90% capacity.

Q.4) A) Naysha Products Ltd Nasik ,is offered discount on its order in the manner stated as follows: (15)

Price per tonne	Order (in Tonnes)
Rs. 12	Less than 500
Rs. 11.80	500 but less than 1600
Rs. 11.60	1600 but less than 4000
Rs. 11.40	4000 but less than 8000
Rs. 11.20	8000 and over

The annual demand for the material is 8,000 tonnes .Inventory carrying costs are 20% of material cost per annum. The delivery cost per order is Rs.12

Calculate the "Best quantity order" for Naysha Products Ltd.

OR

Q.4 B) The following data have been furnished by A Ltd. And B Ltd. for the year ended 31-3-2018 (15)

Particulars	A Ltd	B Ltd
Operating Leverage	3:1	4:1
Financial leverage	2:1	3:1
Interest charges per annum	Rs.12 lakhs	Rs.10 lakhs
Corporate tax rate	25%	20%
Variable cost as % of sales	60%	50%

Prepare Income statements of the two companies and comment on its financial position

Q.5 A) Distinguish between financial leverage and operating leverage. (08)

B) Discuss the steps involved in evaluation of credit policies. (07)

OR

Q.5) Write short notes (any three) (15)

1) Strategy
2) Certificate of Deposit
3) Zero Based Budgeting
4) Sources of working capital finance
5) Reserve and surplus as a source of finance