

[Time: 2 Hours]

[ Marks:60]

Please check whether you have got the right question paper.

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

(15)

Q.1. Shree Ram Ltd, is considering purchase of one machine from two machine models, one ABC and another is PQR available in the market. The initial cost of ABC machine is Rs.1,50,000 and that of PQR machine is Rs.1,25,000 Both machines have five years of life with no scrap value. Company provides depreciation on straight line method. Income tax rate is 30%. Expected profit before depreciation and tax for both the machines and present value of Re.1, @ 10% rate for the next five years is as follows:

Year	PV factor @ 10%	ABC Machine	PQR Machine
1	0.909	42,000	35,000
2	0.826	45,000	42,000
3	0.751	52,000	48,000
4	0.683	55,000	52,000
5	0.621	60,000	60,000

You are required to calculate Net Present Value of each machine model @ 10% discounting factor and suggest the company as to which machine should be purchased.

OR

(15)

Q.1. Evaluate a project by NPV ( Net present value ) and PI ( Profitability Index ) method which requires initial outflow of Rs.1,00,000 and will generate revenue of Rs.60,000 ,Rs.30,000 ,Rs.20,000 ,Rs.50,000 and Rs.50,000 from the end of first year to the end of fifth year. The required rate of return is 10% and income tax rate is 50%. The project has five year life and will be depreciated on straight line basis. The present value factor of Re.1 at 10% discounting factor as follows :-

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

(15)

Q.2 Green water of Mumbai manufacturer of Air condition give the following details in respect of Two components namely X and Y used in the manufacturing process :

- |               |                         |
|---------------|-------------------------|
| Normal usage  | 100 units per week each |
| Maximum usage | 150 units per week each |
| Minimum usage | 50 units per week each  |

Reorder quantity:

- X 800 units
- Y 1,200 units

Reorder period for:

- X 2 to 4 weeks
- Y 1 to 2 weeks

Calculate for each component:

- 1) Reorder level
- 2) Minimum level
- 3) Maximum level
- 4) Average stock level

**OR**

**(15)**

Q.2. XYZ Ltd. Is considering relaxing its present credit policy and is in the process of evaluating two proposed policies. The company has required rate of return of 25%. The variable cost is 70% of the sales and fixed cost is Rs.3,00,000 p.a. Given the following information, which option is better suggest with suitable calculations.

Particulars	Present policy	Policy option-1	Policy option-2
Annual sales	Rs.50,00,000	Rs.60,00,000	Rs.64,50,000
Credit period	3 months	4 months	5 months
Bad debts	Rs.1,50,000	Rs.3,00,000	Rs.4,50,000

**(15)**

Q.3. ABC Ltd. Produces 13,500 units at 90% capacity. The expenses as under:

Particulars	Cost per unit
Direct material	7 Rs
Direct labour	5 Rs
Other variable expenses	4.50 Rs
Administrative overheads	6(40% Variable)
Selling overheads	3(75% Variable)
Production overheads	3(20% Variable)
Selling price per unit	60 Rs

Prepare flexible budget for 80%, 90% and 100% utilisation of the capacity.

**OR**

**(15)**

Q.3. Sneha Ltd. Gives you the following cost details for manufacture of product Z at capacity level of 20,000 units.

Particulars	Amt.	Nature of variability
Direct material	12,00,000	100 % Variable
Direct labour	8,00,000	100% Variable
Factory overheads:		
Lighting and heating	4,80,000	75% Variable
Repairs and maintenance	3,60,000	50% Variable
Depreciation	4,80,000	100% Variable
Office overheads	2,00,000	10% Variable
Selling and distribution overheads	3,00,000	50% Variable
<b>Total</b>	<b>38,20,000</b>	

Prepare a production cost budget for production of 15,000 units and 25,000 units, showing total cost and unit at each level.

Q.4.a. Choose the most appropriate alternative and rewrite the sentence **(08)**

- Equity shareholders are \_\_\_\_\_.
  - Creditors
  - Loan creditors
  - Owners
  - None of the above
- \_\_\_\_\_ is liability of a bank.
  - Treasury Bills
  - Certificate of deposit
  - Commercial papers
  - Junk bonds
- The number of years taken by a project to recover the initial investment is called \_\_\_\_\_.
  - Payback period
  - Profit period
  - Investment period
  - None of the above
- Decision tree is \_\_\_\_\_.
  - Tree with branches
  - Tree with leaves only
  - Pictorial representation in a free form
  - None of the above
- Working capital is \_\_\_\_\_.
  - Capital required financing day to day activities
  - Capital working in the organisation
  - Capital to finance fixed assets operation
  - None of the above
- Cash budgets represent \_\_\_\_\_.
  - Cash receipts
  - Cash receipts and cash payments
  - Cash Payments
  - None of the above
- In ABC analysis A represents \_\_\_\_\_.
  - Cheapest
  - Smaller in quantity and costliest
  - Larger in quantity
  - None of the above

8. The scarce factor of production is known as \_\_\_\_\_
- a. Key factor
  - b. Limiting factor
  - c. Critical factor
  - d. All of the above

(07)

Q.4.b. State whether the following statements are True or False and rewrite the sentence (reason not required)

1. Depreciation is a non-cash cost.
2. Preference shares have preference over equity shares in respect of dividend and refund.
3. Interest on debentures has tax benefit.
4. If we pay creditors late, we require more working capital.
5. Motive for holding cash is transaction motive.
6. Receivable management affects shareholders value.
7. A letter of credit is issued by a bank on behalf of its customers.

OR

Q.4. Write short note on any three :-

(15)

1. Strategic financial management
2. Factor determining working capital requirement
3. Trade credit
4. Working capital cycle
5. Techniques for inventory management