SYBBI sem IV Reg Exam April - 2023

Class: SY-BBI   Semester – IV   Subject: Financial Management - II

Time Allowed: 2.30 hours   05/4/23   Total Marks: 75

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N.B: 1. All questions are compulsory.

2. Figures to the right-hand side indicate full marks.

3. Suitable assumptions and working notes should form the part of your answers.

4. Use of Basic calculator is allowed.

5. Write questions for all the objectives.

1.A. Fill in the blanks: (any 8) (8)

1. Receivable management helps in __________ policy decision.

2. Business risk is indicated by ___________ leverage.

3. The formula for economic order quantity (EOQ) is _____________.

4. The residual income left after paying to dividend to equity shares holder is ______________.

5. NAV stands for ___________________ in case of mutual fund.

6. Excess of current liabilities over current assets is called ________________ working capital.

7. If time taken to manufacture is less than _______________ working capital is required.

8. Holding cash for purposes that are unexpected (e.g., floods) is called _________ motive.

9. _________ cost is the administrative costs incurred in collecting the accounts receivables.

10. __________ is the replenishment quantity ordered that minimizes the combined total cost.

1.B. Match the columns (Any 7): (7)

A	B
1. Favourable Financial Leverage	I. Maximum Permissible Bank Financing
2. Investment Objective	II. Current Liabilities greater than Current Assets
3. Angel Investors	III. Receivables Management
4. Increase in financial Risk	IV. Aggregation of Lower Budgets
5. Margin of safety	V. More than 1
6. Negative Working Capital	VI. Carrying cost
7. MPBF	VII. Investment for 5-10 years
8. Cost of storage	VIII. Added to Net Current Assets
9. Credit Granting Decision	IX. Income
10. Master Budget	X. High gearing

2.A. Saraswathy Ltd. manufactured and sold 12000 Mobile handsets in the year 2017. The production cost per unit was a under: (15)

	₹
Material	3,500
Labour	1,000
Overheads	1,000
Total Cost	5,500
Profit	2,000
Selling Price	7,500

For the year 2018, it is estimated that:

1. The output and sales will be 18000 hand-sets.
2. Raw materials will remain in stock for half months before issue to production.
3. Finished goods will remain in godown for one month before sale.
4. All sales will be on credit and credit allowed to customers will be two months.
5. 60% of raw materials requirements will be obtained from the supplier from Korea by making one-month advance payment. Balance creditors allow credit of two months.
6. Wages and overheads are paid one month in arrears.
7. Materials will be in process on an average for half month.
8. Cash in hand and with bank should always be ₹ 50,000.

   You are required to forecast working capital requirements of the company and calculate the MPBF by all the three methods (Tandon Committee).

OR

2.B. Prepare a cash-budget of Bhavana Ltd. for April, May & June from the following information: (15)

Month	Sales ₹	Purchases ₹	Wages ₹	Overheads ₹
February (Actual)	1,80,000	1,20,000	23,000	6000
March (Actual)	1,75,000	1,22,000	22,000	6000
April (Budgeted)	1,90,000	1,30,000	25,000	7000
May (Budgeted)	1,85,000	1,22,000	26,000	6000
June (Budgeted)	1,80,000	1,15,000	24,000	5000

You are further informed that:

a) The average collection period for debtors is two months.
b) 10% of the purchase and 20% of sales are of cash.
c) Of the creditors, half are paid in the next month and half in next-to-next month.
d) Lag in payment of wages is $1/5^{th}$ month.
e) Lag in payment of overheads is $1/4^{th}$ month.

Cash and Bank balances as on 1^{st} April was ₹ 20,000.

Minimum usage	100 units per week each.
Maximum usage	300 units per week each.
Recorder Quantity:	
A	1,600 units.
B	2,400 units.
Reorder Period for:	
A	2 to 4 weeks.
B	1 to 2 weeks.

Calculate for each component:

1. Reorder level,
2. Minimum level,
3. Maximum level,
4. Average stock level.

OR

4.B. Calculate operating leverage, financial leverage and combined leverage from the following information provided by Kulwant Ltd. Under situation I and II and financial plan A and B: (15)

Installed capacity: 4000 units, actual production 80% of installed capacity.

Selling price is ₹ 30 per unit, variable cost is ₹ per unit.

Fixed cost:

Situation I	: ₹ 18,000
Situation II	: ₹ 21,000

Capital Structure	Plan A	Plan B
Equity Capital	₹ 10,000	₹15,000
15% Debentures	₹ 10,000	₹ 5,000

5.A. Explain the different types of Budgets. (8)

5.B. Explain the various levels in Stock levels. (7)

OR

5. Write short notes on (any 3): (15)

a) Zero Bases Budgeting.
b) Strategic Financial Management.
c) Objectives of Material requirement planning.
d) Credit Policy Decision.
e) Sources of Finance.

3.A. The following are the estimated sales of a company for eight months ending 30th October, 2018: **(15)**

Months	Estimated Sales (units)
April, 2018	12,000
May, 2018	13,000
June, 2018	9,000
July, 2018	8,000
August, 2018	10,000
September, 2018	12,000
October, 2018	14,000
November, 2018	12,000

As a matter of policy, the company maintains the closing balance of finished goods and raw materials as follows:

Stock Item	Closing balance of a month
Finished Goods	50% of the estimated sales for the next month
Raw Materials	Estimated consumption for the next month.

Every unit of production requires 2kg of raw material costing ₹ 5 per kg.

Prepare Production Budget (in units) and Raw Material Purchase Budget (in unit and cost) of the company for the year ending 30th September, 2018.

OR

3.B. Pankaj Ltd. gives you the following information: **(15)**

For production of 10000 kgs of a finished product, budgeted expenses are as under:

	₹ per kg.
Direct Materials	120
Direct Wages	60
Variable factory overhead	50
Fixed factory overhead	30
Variable expenses (direct)	10
Selling expenses (10% fixed)	30
Administration expenses (rigid at all levels)	10
Distribution expenses (20% fixed)	10

Prepare a flexible budget for production of 7500 kgs. 9000 kgs. And 12000 kgs

4.A. M/s Air Cool Services Ltd., Jalgaon manufacturers of Air Coolers give the following information in respect of two components namely A and B used in the manufacturing process: **(15)**

Normal usage 200 units per week each.