SYBBI SYBBI sem IV Reg. Exam April - 2019.

4/5/19.

Paper / Subject Code: 77909 / Financial Management II

Q. P. Code: 36582

Time: 2:30 hours Marks: 75

Note: 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 answer.

1) A) Fill in the blanks **(any 8)**: (08)
1) Excess of current liabilities over current assets is called _______ working capital.
2) If time taken to manufacture is less then _____ working capital is required.
3) Holding cash for purposes that are unexpected (e.g. floods) is called ______ motive.
4) _______ cost is the administrative costs incurred in collecting the accounts receivables.
5) _________ is the replenishment quantity ordered that minimizes the combined total cost.
6) ____________ control is the system of planning and controlling costs.
7) A ________ is all about integrating organizational activities.
8) _________ decisions have an impact of the firm objective of wealth maximization.
9) At _________level total ordering cost equates total carrying cost.
10) Debentures carry _________ charge.

B) Rewrite the following statements and state whether the following are true or false **(any 7)**: (07)
1) Working capital to meet seasonal requirements is called special working capital.
2) Working capital that is reflected by the items contained in the income statement is called Income working capital.
3) Transaction motive refers to holding of cash to meet routine cash requirements.
4) Share transfer fees is recorded as Receipts under cash budget.
5) Costs that arise when the customers express their inability to pay are called Default costs.
6) A good system of inventory reduces the capital tied up in various inventory.
7) Fixed budget is also called static budget.
8) Budget need not be realistic.
9) There is a positive correlation between risk and return.
10) On debt, interest is payable at a fluctuating rate.

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

	Rs.
Material	3500
Labour	1000
Overheads	1000
Total Cost	5500
Profit	2000
Selling price	7500

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 month 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 Rs. 50000.

You are required to forecast working capital requirement of the company and calculate the MPBF by all the three methods (Tandon Committee) (15)

OR

Q2B Prepare a cash-budget of Bhavana Ltd. for April, May & June from the following information:

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Overheads Rs.
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 purchases and 20% of sales are for 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 1/5th month
e) Lag in payment of overheads is 1/4th month

Cash and Bank balances as on 1st April was Rs. 20,000. (15)

Q3.A Sailee Industries Ltd. is marketing all its products through a network of dealers. All sales are on credit and the dealers are given one month time to settle bills. The company is thinking of changing the credit period with a view to increase its overall profits. The marketing department has prepared the following estimates for different periods of credit

	Present policy	Plan I	Plan II	Plan III
Credit period (in months)	1	1.5	2	3
Sales (Rs. Lakhs)	120	130	150	180
Fixed costs (Rs. Lakhs)	30	30	35	40
Bad debts (% of sales)	0.5	0.8	1	2

The company has a contribution/sales ratio of 40% further it requires a pre-tax return on total investment at 20%. Evaluate each of the above proposals and recommend the best credit period for the company. (15)

OR

Q3.B Pankaj Ltd. gives you the following information:

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

	Rs.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. (15)

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Q4A. You are given the following data by Mani Ltd.:

Annual consumption 12000 kgs., cost per unit Rs. 100, carrying cost is 15% p.a. and procurement cost is Rs. 24 per order. Find EOQ. (07)

B) Nirav Ltd.gives you the following information:

Re-order quantity 3000 units, Re-order period 4 to 6 weeks, Maximum consumption 800 units, Minimum consumption 600 units.

Find re-order level, minimum level, maximum level and average stock level. (08)

OR

Q4C 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:

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

Selling price is Rs. 30 per unit, variable cost is Rs. 15 per unit. (15)

Fixed cost:

Situation I : Rs. 18000

Situation II : Rs. 21000

Capital Structure	Plan A	Plan B
Equity capital	Rs. 10000	Rs. 15000
15% Debentures	Rs. 10000	Rs. 5000

Q5A) Explain in brief the features of Cash management. (08)

B) Explain in brief the advantages of Budgetary Control (07)

OR

Q5 Write short notes on **(any 3)**: (15)

a) Steps in credit analysis
b) Advantages of Materials control
c) Objectives of Materials Requirement Planning
d) Strategic Financial Management
e) Zero Based budgeting

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