R4BFM324 SYBBI -IV ex
15/3/24
FM

Duration: 2.5 hrs. **Marks: 75**

Note: All questions are compulsory.
Figures to the right indicate maximum marks.

Q.1 A Answer any Eight form the following: Match the following: **8**

1

A	B
(1) Financial leverage	(a) Fixed financial charge
(2) Operating leverage	(b) Fixed operating cost
(3) Cash budget	(c) Economic order quantity
(4) EOQ	(d) Maximum permissible bank finance
(5) MPBF	(e) Semi finished goods
(6) WIP	(f) Tax deductible expenditure
(7) At BEP profit / loss	(g) Ordinary share capital
(8) Debenture interest	(h) Equal to zero
(9) Common stock	(i) Depreciation is ignored
(10) Budgetary control	(j) Controlling

Q.1 B State whether the following statements are True or False (any 7): **7**

1 Trade credit is a source of working capital.

2 Longer the production cycle larger will be the requirement of working capital.

3 Trade creditor is a spontaneous source of finance.

4 Higher rate of stock turnover improves liquidity.

5 Credit policy provides information about the period of credit allowed to customers

6 Carrying cost is the cost of placement of an order.

7 Fixed budget is drawn for multiple level of activities.

8 Strategic Financial Management always shows a short-term view.

9 Combined leverage should be as high as possible.

10 Cash sales result in account receivable.

Q.2 A You are required to prepare a statement showing the working capital required to finance the level of activity of 12,000 Units per year from the following information. **15**

1. Raw materials are in stock on an average for 2 months.

2. Materials are in process on an average for half a month.

3. Finished goods are in stock on an average for one month.

4. Credit allowed by the suppliers is 1.1/2 months of purchase of raw materials and credit allowed to the customers is 2.1/2 months.

5. Lag in payment of wages and overheads is one month.

6. Cash and Bank balance is expected to be 10% of Net Working Capital before considering the Cash and Bank balance.

7. Activities are spread evenly throughout the year.

Cost per unit:

Raw material	10
Wages	5
Total cost	30

Profit is 20% on selling price.

OR

B Rock Ltd. is currently operating at 75% of its capacity. In the past two years, the levels of operations were 55% and 65% respectively. Presently, the production is 75,000 units. The company is planning for 85% capacity level during 2022-2023. The cost details are as follows: 15

Particulars	₹ 55%	₹ 65%	₹ 75%
Direct Materials	11,00,000	13,00,000	15,00,000
Direct Labour	5,50,000	6,50,000	7,50,000
Factory Overheads	3,10,000	3,30,000	3,50,000
Selling Overheads	3,20,000	3,60,000	4,00,000
Administrative Overheads	1,60,000	1,60,000	1,60,000
Total	**24,40,000**	**28,00,000**	**31,60,000**

Profit is estimated @ 20% on Sales.

The following increase, in costs are expected during the year:

	(In %)
Direct Materials	8
Direct Labour	5
Variable Factory Overheads	5
Variable Selling Overheads	8
Fixed Factory Overheads	10
Fixed Selling Overheads	15
Administrative Overheads	10

Prepare Flexible Budget for the current year as well as for the period 2022-2023 at 85% of capacity.

Q.3 A ABC manufacturing company is operating at 75% of normal capacity. It is proposed to offer a price reduction of 5% to 10% depending upon the sales volume desired. Given below are the relevant data. 15

Particulars	75%	85%	100%
Output (units)	75,000	85,000	1,00,000
Selling price per unit	₹ 96	5 % off	10% off
Materials cost per unit	₹ 40	10% less	15 % less
Wages cost per unit	₹ 10	₹ 10	₹ 10

Fixed production overhead Rs. 14,00,000.

Fixed selling and administration overhead Rs. 5,00,000.

Variable production overhead Rs. 14,00,000 @ 100% capacity.

Variable selling and administration Rs. 4,40,000 @ 100% capacity.

Prepare a statement to show per unit and total profit/loss at above levels of output.

OR

B The following is a history of the receipts and issues of materials in a factory during March, 2023 **15**

March	Particulars	
1	Opening Balance	500 Quintal @ 25.00
3	Issue	70 Quintal
4	Issue	150 Quintal
8	Issue	80 Quintal
13	Received from Vendor	200 Quintal @ 24
14	Refund of Surplus from a work order	15 Quintal @ Rs. 24
16	Issue	180 Quintal
20	Received from Vendor	240 Quintal @ Rs. 23
24	Issue	304 Quintal
25	Received from Vendor	320 Quintal @ Rs. 23.50
26	Issue	112 Quintal
27	Refund of Surplus from a Vender	12 Quintal @ Rs. 25
29	Received from Vendor	100 Quintal @ Rs. 24

The Stock verifier of the factory noted that on 15th he had found a shortage of 5 Quintal, and on the 28th another shortage of 8 Quintal. Write out the Stores Ledger Account in respect of the above material for the month of March, 2023 by LIFO Method.

Q.4 A Calculate the operating leverage, financial leverage and combined leverage from the following data under Situation I and II and Financial Plan A and B. **15**

Installed capacity 4,000 units

Actual production and sales 75% of the capacity

Selling price Rs. 30 per unit

Variable Cost Rs. 15 per unit

Fixed Cost:

Under Situation I Rs. 15,000

Under Situation II Rs. 20,000

Capital Structure

Particular	Financial Plan	
	A ₹	**B ₹**
Equity	10,000	15,000
Debt (Cost of Debt 20%)	10,000	5,000
	20,000	**20,000**

OR

B From the following data prepare a valued stock card for material SHREE for the month of April, 2023 and value the closing stock by: 15

(a) Weighted average cost method

(b) FIFO

Date	Transactions
01/04/2023	Opening stock 100 units at Rs. 15 per unit
04/04/2023	Received 90 units at Rs. 16 per unit
07/04/2023	Issued 80 units
11/04/2023	Received 200 units at Rs. 17 per unit
14/04/2023	Issued 150 units
21/04/2023	Received 20 units at Rs. 25 per unit
25/04/2023	Issued 100 units
27/04/2023	Received 50 units at Rs. 16 per unit

Q.5 **A** What are principles of sound financial planning? **8**

B Distinguish between debt finance and equity finance. **7**

OR

C **Short Notes (any 3)** **15**

1. Combined leverage
2. Production budget.
3. Economic order quantity.
4. Factors determining working capital requirements.
5. Cash management practices in India.

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