Time: 2 Hours **Marks: 60**

Note: [1] All questions are compulsory
[2] Figures to the right indicate full marks.
[3] Working notes should be the part of your answer.

Q1. The management of Delta Ltd. Is considering to select a machine out of the two mutually exclusive machines. The company's cost of capital is 10%. Scrap Value of both Machines at end of expected life is NIL. Details of the machine are as follows:

Machine	A	B
Cost of Machine	20,00,000	30,00,000
Expected life	5 years	6 years
Net Annual Cash Flow	6,20,000	7,40,000

You are required to Calculate the net present value and the discounted payback period for both Machines.

[PV Factor @ 10 % is 0.909, 0.826, 0.751, 0.683, 0.621, 0.564] **[15]**

OR

Q1. A company has to make a choice between three possible investment Projects A, B, C. The immediate capital outlays on each being ₹ 1, 20,000. Each will continue for 5 years and it has been decided that a discount rate of 12% is acceptable for all three. The net annual cash flows for these projects are:

Year	**A**	**B**	**C**	**Discount factor at 12%**
1	10,000	20,000	80,000	0.8929
2	25,000	30,000	75,000	0.7972
3	50,000	10,000	12,000	0.7118
4	60,000	55,000	10,000	0.6355
5	70,000	80,000	8,000	0.5674

You are required to calculate profitability index of each project and rank them accordingly. **[15]**

Q2. Superpower 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 25%. The variable cost is 60% of the sales and fixed cost 200,000p.a. Given the following information which option is better suggest with suitable calculations. **[15]**

Particulars	Present Policy	Policy Option 1	Policy Option 2
Annual Sales	40,00,000	55,00,000	70,00,000
Credit Period	3 months	4 months	5 months
Bad debts	75,000	80,000	100,000

OR

Q2. Ameys ltd. Has given the forecast sales from January 2024 and actual sales for November and December 2023. With the other particulars given prepare a cash budget for the months from January to May 2025. **[15]**

1. Sales

Month	Sales [₹]
November 2024	320,000
December 2024	280,000
January 2025	320,000
February 2025	400,000
March 2025	160,000
April 2025	400,000
May 2025	360,000
June 2025	480,000
July 2025	400,000

2. Sales 20% cash and 80% credit, Credit period two months.
3. Variable expenses 10% on turnover, time lag of half month
4. Commission on credit sales 2% payable in two months.
5. Purchase are 50% of sales and payment will be made in 3rd month of purchases.
6. Rent ₹ 10,000 paid every month.
7. Other payment: Fixed Assets purchased February ₹30,000 and May ₹100,000
8. Taxes paid in April ₹20,000
9. Opening cash balance on January 2024 ₹100,000

Q3. The expenses budgeted for production of 20,000 in its in a factory are furnished as follows: **[15]**

particulars	**cost per unit [₹]**
materials	30
labour	20
variable overheads	10
fixed overheads [₹ 200,000]	10
Factory variable expenses	5
Administrative expenses [100% fixed] ₹100,000	5
selling overheads [20% fixed]	20
distribution expenses [10% fixed]	10
Total cost	**110**

Prepare a budget for production of : 10,000 units, 15,000 units and 20,000 units showing variable cost, fixed cost in amount and cost per unit at each level of production.

OR

Q3. A] Purva Nakshatra Ltd. Manufactures a certain product by using component X. The following particulars about these components are available. **[7]**

Normal Usage 50 units per week
Minimum usage 25 units per week
Maximum usage 75 units per week
Re-order Quantity 300 units
Re-order period: 4 to 6 weeks
Calculate:

1. Re-order Level
2. Minimum Level
3. Maximum level
4. Average Stock Level

Q3 B] From the following information, Calculate EOQ and Number of orders during the year **[8]**

Semi Annual consumption 6000 units
Purchase price of input unit ₹25
Ordering cost per order ₹45
Quarterly carrying cost 3%
Also Calculate Total purchase cost, Total ordering cost and total carrying cost

Q.4 a) Select the most appropriate alternative and rewrite the sentence. [8]

1) Dividend on shares capital has __________
a) Tax Benefit b) No tax benefit c) Tax Liability d) none of the above

2) Debentures may be ___________
a) Secured b) Redeemable c) Unsecured d) All of the above

3) Longer period of credit allowed by creditors ___________
a) Increases working capital requirement b) decreases working capital requirement
c) minimizes working capital requirement d) All of the above

4) Cash budget does not include __________
a) Wages payable b) Issue of Capital c) Expenses d) Dividend

5) Receivables are created by ___________
a) Cash Sales b) Credit Sales c) Cash & Credit Sales d) Consignment Sales

6) Carrying Cost Include ____________
a) Handling Cost b) Credit Sales c) ordering cost d) None

7) A Budget is prepared for ____________

a) one year b) One Month C) Six Month d) A Specified Period

8) To achieve wealth maximization, the finance manager has to take decision in respect of _____

a) Investment b) financing c) Dividend d) all of the above

Q.4 b) State whether the following statement are true or false and rewrite the sentence. **[7]**

1) Equity shares are refundable.
2) Depreciation is a non cash cost
3) Trade credit is a source of working capital.
4) Credit terms are specified in the invoice.
5) Flexible budget is dynamic.
6) Financial plan should be flexible.
7) Raw material is not a part of inventory.

OR

Q4. Write Short Notes (Any three). **[15]**

1) Gross Working Capital
2) Public Deposit
3) ABC Analysis
4) Budgetary Control
5) Scope of strategic financial Management
