

Time: 2.5 Hours

Marks: 75

Note: 1.All Questions are Compulsory

2. Figures to the right indicates full marks

Q-1(A) State whether following statements are True or False? (Any 8)

[08]

1. Probability Model was developed by William Beranek.
2. Flexible Budget is the summary Budget incorporating its component Functional Budget.
3. Debentures may be fully or partly convertible in nature.
4. Permanent Working Capital is same as Fixed Capital.
5. Gross Working Capital is the sum of the Total Current Assets.
6. Bond is Short Term Sources of finance.
7. Authorized Capital is the maximum amount of Capital which can be issued by a company.
8. The minimum amount to be invested by a single investor with respect to commercial paper is Rs. 10 Lakhs.
9. Danger Level is the Level below the Minimum Stock Level.
10. Inventory Management does not include Management Work-in-Progress

Q-1(B) Fill in the blanks by selecting correct option. (Any 7)

[07]

1. Strategic Planning is _____.
[Short Term, Operational, Long Term, Informal]
2. An amount to Rs.15, 000 invested today @ 6% for 3 years will be compounded to _____.
[17,865 / 12,458 / 17,856 / 12,584]
3. _____ assumes cash flows reinvested at the cost of Capital.
[IRR, NPV, Payback, ARR]
4. Cash Budget does not include _____.
[Dividend Payable, Postal Expenditure, Issue of Capital, Total Sales Figure]
5. _____ of the following is a liability of a Bank?
[Treasury Bills, Commercial Papers, Certificates of Deposits, Junk Bonds]
6. The motives of holding cash include _____.
[Transaction, Precautionary, Speculative, All of the above]
7. EQ is the Quantity that minimize _____.
[Total Inventory Cost, Total Ordering Cost, Total Interest Cost, Safety Stock Level]
8. Commercial Paper is Type of _____.
[Unsecured Short-term bond, Fixed Coupon Bond, Government Bond, Equity Share Capital]
9. A Budget that gives a summary of all the functional budget is known as _____.
[Capital Budget, Master Budget, Flexible Budget, Fixed Budget]

Q-2 (A) From the following information of Sudhir Ltd rate of return is 10% by assuming SLM method for depreciation you are required to calculate **[15]**

- a) NPV
- b) PI
- c) Discounted Payback Period

Cost of Investment (Rs.)	4,00,000
Expected Life (No Salvage)	5 Years

Net Profit after Tax	Amount
1	1,00,000
2	1,20,000
3	70,000
4	1,20,000
5	50,000

OR

Q-2 (B) The following information is abstracted from the books of a ABC Co. Ltd., for the six months of 2024 in respect of product X.

The following units are to be sold in different months of the year 2024:

January	2,200
February	2,200
March	3,400
April	3,800
May	5,000
June	4,600
July	4,000

Opening stock as on 01-01-2024 was 1800 units.

Policy of company is to maintain closing stock of 1100 units every month.

You are required to prepare Product Budget for the six months of year 2024.

Q-3(A) At 90 % Capacity, PQR Ltd. produces 10,800 units and incurred the expenses as under:

[15]

Particulars	Cost per unit Rs.
Direct Material	7
Direct Labour	5
Other Variable Expenses	4.50
Selling Price per unit	60
Administrative Overheads	6 (40% variable)
Selling Overheads	3 (75 % variable)
Production Overheads	3 (20% variable)

Prepare Flexible Budget for 70 %, 80 % and 100 % utilisation of the capacity.

OR

- Q-3(B)** XYZ limited is considering a change in its present credit policy. Currently it is evaluating two policies. [15]
The company is required to give a return of 20% on the investment in new accounts receivables. The company's variable cost is 70% of the selling price. Information Regarding present and Proposed policies are as follows:

Particulars	Present Policy	Policy Option I	Policy Option II
Annual Credit Sales Rs	30,00,000	42,00,000	45,00,000
Debtor turnover ratio	4 times	3 times	2.4 times
Loss due to bad debts Rs	3% on sales	5% on sales	6% on sales

- Q-4(A)** A company has to make investment in project A. The initial capital outlay of project is Rs. 4,70,000. [15]
Profit after tax is given in table as follows.

Year	1	2	3	4	5
PAT (Rs.)	0	60,000	2,64,000	1,68,000	1,68,000
PV Factor @ 16%	0.862	0.743	0.641	0.552	0.476

There will be scrap value is Rs. 70,000 & Working Capital required is Rs. 30,000
You are required to calculate

a) Net Present Value b) Profitability Index c) Discounted Payback Period

OR

- Q-4 (B)** From the following Information and the assumption that the balance in hand on 1st January is Rs.36,250. [15]
Prepare Cash Budget.

Month	Sales	Materials	Wages	Selling Distribution	Production Cost	Administration Cost
January	36,000	12,500	5,000	2,000	3,000	750
February	48,500	15,500	6,050	2,500	3,150	850
March	43,000	12,750	5,300	2,750	3,000	1,000
April	44,300	15,300	12,500	3,350	3,250	1,100
May	51,250	18,500	11,000	4,250	4,000	1,250
June	54,350	19,400	11,500	4,500	4,100	1,250

Additional Information:

- 50% Sale are Cash Sales.
- Debtors are allowed 1 month credit.
- Sales Commission @ 2% on Cash Sales and 5% on cash collection from Debtors is to be paid.
- Creditors (for Goods or Overheads) grant one month credit.
- Assets are to be acquired in the month of February and April. Therefore, provision should be made for the payment of Rs.20,000 and 12,500 for the same.
- An application has been made to the Bank for the grant of Loan of Rs.15,000 and it is hoped that it will be received in the month of May.
- It is anticipated that a dividend of Rs.17,500 will be paid in June.

Q-5 (A) Explain different types of Budgets. [10]

Q-5 (B) Explain Functions of Strategic Financial Management. [10]

OR

Q-5 (C) Write Short Notes (Any Three) [15]

- 1) Importance of Working Capital.
 - 2) Financial Planning
 - 3) Types of Budgets.
 - 4) Long Term Source of Finance
 - 5) Net Present Value Method
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