

CBCS SCHEME

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15ME743

Seventh Semester B.E. Degree Examination, Dec.2019/Jan.2020 Financial Management

Time: 3 hrs.

Max. Marks: 80

Note: Answer any FIVE full questions, choosing ONE full question from each module.

Module-1

- 1 a. Define book keeping. Mention the three types of accounts with examples. (04 Marks)
b. Computer care Ltd. Provides the following transactions. You are required to prepare journal entries and post entries in ledger on August 31st

August 1	Deposited Rs.40,000 in the Company's Bank account in exchange of 4000 shares
2	Paid two months office rent in advance Rs.2200
3	Bought testing equipment on credit Rs.6500
4	Bought office supplies for cash, Rs.480
7	Received fees for services provided Rs.6900
13	Ordered testing equipment Rs.3200
16	Paid assistants salaries for first fortnight Rs.2300
19	Billed customers for service provided Rs.9700
20	Received testing equipment ordered on Aug 13, agreed to pay it on Sept 5
28	Paid telephone bill for the month Rs.390
29	Received cash for services to be provided later Rs.2700
30	Paid assistants salaries for second fortnight Rs.2300

(12 Marks)

OR

- 2 a. Explain in detail forms of organization. (10 Marks)
b. Define the terms: i) Excise duty ii) Central sales tax iii) VAT iv) Service tax
v) Direct tax vi) Indirect tax (06 Marks)

Module-2

- 3 a. Explain the factors influencing the working capital requirement. (06 Marks)
b. From the following data compute the duration of the operating cycle for each of the two years and comment on increase/decrease:

Particulars	Years 1 (Rs)	Year 2 (Rs)
Stocks		
Raw Material	20000	27000
Work in progress	14000	18000
Finished goods	21000	24000
Purchase of Raw material	96000	135000
Cost of goods sold	140000	180000
Sales	160000	200000
Debtors	32000	50000
Creditors	16000	18000

Assume 360 days/year for operating cycle.

(10 Marks)

OR

- 4 a. Explain the need for long term financing. (06 Marks)
 b. Discuss various sources of long-term finance of Indian companies. (10 Marks)

Module-3

- 5 a. Explain the process of capital budgeting in detail. (10 Marks)
 b. Discuss briefly the factors which affects investments decisions. (06 Marks)

OR

- 6 Write a note on: i) Current Asset Management ii) Wealth Management. (16 Marks)

Module-4

- 7 a. What do you mean by risks in financial decision state different types of risks is financial decision. (06 Marks)
 b. The following table gives dividend and share price data for Hind manufacturing company:

Year	Dividend/share	Closing share/price
1994	2.5	12.25
1995	2.5	14.2
1996	2.5	17.5
1997	3	16.75
1998	3	18.45
1999	3.25	22.45
2000	3.5	23.5
2001	3.5	27.75
2002	3.5	25.5
2003	3.75	27.95
2004	3.75	31.30

Determine:

- i) Annual rate of return
 ii) Expected average rate of return
 iii) Variance
 iv) Standard deviation of return (10 Marks)

OR

- 8 a. From the following information prepare balance sheet of X. Co. Ltd.
 i) Current ratio 2.5:1
 ii) Liquid ratio 1.75:1
 iii) Proprietary ratio 0.8:1 [fixed assets/proprietary funds]
 iv) Working capital Rs 1,20,000
 v) Reserves and surplus Rs 30,000
 vi) Debtors and cash are in the ratio of 3:2
 vii) Creditors and bills payable are in the ratio 4:1
 There was no other current or long term liability. (10 Marks)
- b. Define the following terms:
 i) Current ratio
 ii) Inventory turnover ratio
 iii) Gross profit ratio
 iv) Debt-equity ratio
 v) Solvency ratio
 vi) Debtors turnover ratio. (06 Marks)

Module-5

- 9 a. Differentiate between job costing and process costing. (06 Marks)
 b. From the following data prepare a cost sheet and net profit for the given month:

Raw material purchase	66000
Direct wages	52500
Stock of raw materials [1.9.18]	75000
Stock of raw materials [30.9.18]	91500
Stock of finished goods [1.9.18]	54000
Stock of finished goods [30.9.18]	31000
Stock of work in progress [1.9.18]	28000
Stock of work in progress [30.9.18]	35000
Sales	211000
Indirect wages	2750
Factory rent	15000
Depreciation on plant and machinery	3500
Direct expenses	1500
Sundry factory expense	10,000
Salesman salary	6500
Office rent	2500
Sundry Office Expenses	6500
Advertisement	3500
Carriage outwards	2500

(10 Marks)

OR

- 10 a. Define the term 'Budget' and mention the advantages and disadvantages of budgeting. (06 Marks)
 b. From the following forecast of income and expenses for half yearly ended with 30th June 2018 prepare cost budget.

Month	Credit sales	Credit purchase	Wages	Manufacturing expenses	Administrative expenses	Sales and distribution expenses
2017 Nov	25000	10000	2500	1100	1000	600
Dec	30000	15000	2800	1200	975	650
2018 Jan	20000	10000	2000	1250	1060	550
Feb	25000	15000	2200	1150	1040	650
Mar	30000	17000	2400	1300	1105	750
April	35000	20000	2600	1350	1120	800
May	40000	22000	2800	1450	1180	825
June	45000	25000	3000	1500	1185	875

- i) Sales commission of 5% of total sales to be paid in two months
 ii) Plant purchased on 1st Jan for Rs.10000 payment immediately
 iii) New building purchased in Feb for R.80000 payable in two half yearly installments [First one is in Feb]
 iv) Divided of Rs.5000 is paid in April
 v) Period of credit allowed by debtors and creditors is 2 months.
 vi) Lag in the payment of wages is 1/8th of month.
 vii) Lag in the payment of expenses is 1 month
 viii) Cash balance on 1st Jan is Rs.37500

(10 Marks)



Scheme & Solution

[Signature]
Signature of Scrutinizer

Subject Title: financial Management

Subject Code: 15 ME743

Question Number	Solution	Marks Allocated																																			
1 a)	<p>* BOOK Keeping definition - "Book Keeping is the science and art of correctly recording in books of account all those business transactions that result in the transfer of money or money's worth" - by RN Carter</p> <p>② Three types of Accounts with brief explanation - <u>1M</u></p> <p>i) Personal A/c :- ex: Mahesh A/c, City enterprise A/c</p> <p>ii) Real A/c :- ex: furniture A/c, Cash A/c</p> <p>iii) Nominal A/c :- Discount A/c, free samples A/c</p> <p style="text-align: right;">- <u>3x1 = 3M</u></p>	1+3 =4M																																			
1 b)	<p>* preparation of Journal Entries as below - <u>6M</u></p> <p>* posting those entries in to ledger as below - <u>6M</u></p> <p style="text-align: center;">Journal Entries (In the book of Computer Care Ltd)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Particulars</th> <th>LF</th> <th>Dr (Rs)</th> <th>Cr (Rs)</th> </tr> </thead> <tbody> <tr> <td>Aug 1</td> <td>Bank A/c To Share Capital A/c [Being deposited 49000 in the Company's Bank A/c]</td> <td>Dr</td> <td>40,000</td> <td>40,000</td> </tr> <tr> <td>Aug 2</td> <td>Prepaid office Rent A/c To Cash A/c [Being paid office rent in advance]</td> <td>Dr.</td> <td>2200</td> <td>2200</td> </tr> <tr> <td>Aug 3</td> <td>Testing Equipment A/c To Creditors A/c [Being bought testing equipment on credit]</td> <td>Dr</td> <td>6500</td> <td>6500</td> </tr> <tr> <td>Aug 4</td> <td>Office supplies A/c To Cash A/c [Being bought office supplies for cash]</td> <td>Dr</td> <td>480</td> <td>480</td> </tr> <tr> <td>Aug 7</td> <td>Cash A/c To Revenue from Service A/c [Being revenue received from service provided]</td> <td>Dr</td> <td>6900</td> <td>6900</td> </tr> <tr> <td>Aug 16</td> <td>Salaries A/c To Cash A/c [Being paid assistance salaries]</td> <td>Dr</td> <td>2300</td> <td>2300</td> </tr> </tbody> </table>	Date	Particulars	LF	Dr (Rs)	Cr (Rs)	Aug 1	Bank A/c To Share Capital A/c [Being deposited 49000 in the Company's Bank A/c]	Dr	40,000	40,000	Aug 2	Prepaid office Rent A/c To Cash A/c [Being paid office rent in advance]	Dr.	2200	2200	Aug 3	Testing Equipment A/c To Creditors A/c [Being bought testing equipment on credit]	Dr	6500	6500	Aug 4	Office supplies A/c To Cash A/c [Being bought office supplies for cash]	Dr	480	480	Aug 7	Cash A/c To Revenue from Service A/c [Being revenue received from service provided]	Dr	6900	6900	Aug 16	Salaries A/c To Cash A/c [Being paid assistance salaries]	Dr	2300	2300	12M
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	Date	Particulars	LF	Dr. (Rs)	Cr. (Rs)	
	Aug 19	Debtors A/c To Revenue from Service A/c (Billed Customers for Service provided)	Dr	9700	9700	
	Aug 20	Testing Equipment A/c To Creditors A/c [Being received testing eqp which is valued for 3200]	Dr	3200	3200	
	Aug 28	Telephone Expenses A/c To Cash A/c (Being paid telephone bill)	Dr	390	390	
	Aug 29	Cash A/c To Advance from Customer A/c (Being cash received for providing later services)		2700	2700	
	Aug 30	Salaries A/c To Cash A/c (Being salaries paid for second fortnight)		2300	2300	
<u>Ledger</u>						
Dr						
① Bank A/c						
	Date	Particulars	J.F	Amount	Date	Particulars
	Aug 1	To Share Capital A/c		40000	Aug 31	By Balance c/d
		To Balance b/d		<u>40,000</u>		<u>40,000</u>
② Share Capital A/c						
	Aug 31	To Balance c/d		<u>40000</u>	Aug 1	By Bank A/c
				<u>40000</u>		By Balance b/d
						<u>40,000</u>
③ Advance Office Rent A/c						
	Aug 2	To Cash A/c		<u>2200</u>	Aug 31	By Balance c/d
		To Balance b/d		<u>2,200</u>		<u>2200</u>
④ Cash A/c						
	Aug 7	To Revenue from Service A/c		6900	Aug 2	By Advance office Rent A/c
	Aug 29	To Advance from Customer A/c		2700	Aug 4	By office supplies A/c
					Aug 16	By Salaries A/c
					Aug 28	By Telephone Expenses A/c
					Aug 30	By Salaries A/c
				<u>9600</u>	Aug 31	By Balance c/d
		To Balance b/d		<u>1930</u>		<u>1930</u>
						<u>9600</u>

Question Number	Solution				Marks Allocated
or Date	Particulars	Dr Amt	Date	Particulars	Cr Amt
⑤ Testing Equipment A/c					
Aug 3	To Creditors A/c	6500	Aug 1	By Balance c/d	9900
Aug 20	To Creditors A/c	3200			
		<u>9700</u>			<u>9700</u>
	To Balance b/d	9900			
⑥ Creditors A/c					
Aug 31	To Balance c/d	9900	Aug 3	By Testing Eqp A/c	6500
		<u>9900</u>	Aug 20	By Testing Eqp A/c	3200
					<u>9700</u>
				By Balance b/d	9900
⑦ Office Suppliers A/c					
Aug 4	To Cash A/c	480	Aug 31	By Balance c/d	480
		<u>480</u>			<u>480</u>
	To Balance b/d	480			
⑧ Revenue from Service A/c					
Aug 31	To Balance c/d	16600	Aug 7	By Cash A/c	6900
			Aug 11	By Debtors A/c	9700
					<u>16600</u>
				By balance b/d	16600
⑨ Salaries A/c					
Aug 16	To Cash A/c	2300	Aug 31	By Balance c/d	4600
Aug 30	To Cash A/c	2300			
		<u>4600</u>			<u>4600</u>
	To Balance b/d	4600			
⑩ Debtors A/c					
Aug 19	To Revenue from service A/c	9900	Aug 31	By Balance c/d	9900
		<u>9900</u>			<u>9900</u>
	To Balance b/d	9900			
⑪ Telephone Expense A/c					
Aug 28	To Cash A/c	390	Aug 31	By Balance c/d	390
		<u>390</u>			<u>390</u>
	To Balance b/d	390			
⑫ Advance from Customer A/c					
Aug 15	To Balance c/d	2700	Aug 29	By Cash A/c	2700
		<u>2700</u>			<u>2700</u>
				By Balance b/d	2700

(08)

Question Number	Solution	Marks Allocated
2a)	<p>Brief Explanation about salient characteristics, advantages & disadvantages of following forms of organization</p> <ol style="list-style-type: none"> 1) Sole proprietorship 2) Joint Hindu family business 3) Partnership 4) Co-operative societies 5) Joint stock company <p style="text-align: right;">→ [each carry 2M] 2x5</p>	10
b)	<p>Definition of following [each carry 1M = 6x1=6M]</p> <ol style="list-style-type: none"> i) <u>Excise duty</u> :- An excise or excise tax is a type of tax charged on goods produced within country ii) <u>Central sales tax</u> :- It is a tax on sales of goods levied by the central Govt of India. CST is applicable only in the case of inter-state sales and not on sales made within the state. iii) <u>VAT</u> :- It is a form of consumption tax, from buyers point of view, it is a tax on the purchase price. & from the seller point of view it is a tax only on the value added to a product, material or service. iv) <u>Service tax</u> :- It is the tax imposed by Govt of India on the services provided in India. The service provider collects the tax & pays the same to the Govt. v) <u>Direct tax</u> :- Taxes that are levied on the income of individuals or organizations, or tax paid directly to the Govt by the persons on whom it is imposed. vi) <u>Indirect tax</u> :- Tax collected by an intermediary such as retail store) from the person who bears the ultimate economic burden of the tax (such as the customer) 	6
3a)	<p>Brief explanation of any six factors which influence the working capital requirement for any organization. like Nature of Business, Production Cycle, Credit Control, firm's policy, Attitude of Risk, Business</p>	6

Question Number	Solution	Marks Allocated																								
3b)	Turnover, Inventory turnover, Manufacturing time & so on. [any six factors each carry 14 = 6x1] Solution of the problem on determination of operation cycle																									
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4a)	<p>due to increase in debtors Collection period.</p> <p>[each period carry 2M = 2x5=10]</p> <p>(OR)</p> <p>Need to explain, why long term Capital Finance is needed for any firm. with explanation of important points like</p> <ol style="list-style-type: none"> i) purchase of New asset / equipment ii) To finance the permanent part of the working Capital. iii) To enhance the cash flow in the firm iv) To invest in R&D operations v) To build new projects vi) To Expand business operation <p>[any six points each carry one mark 6x1=6]</p>	6
4b)	<p>Detailed explanation of any five sources of long-term finance used by Indian Companies like</p> <ol style="list-style-type: none"> i) Share Capital ii) Debentures iii) public deposits iv) Retained Earnings v) Lease financing & so on <p>[Need to explain features, merits & demerits of each] [each source carry 2M = 2x5 = 10]</p>	10
5a)	<p>Detailed explanation of following steps which are involved in the process of Capital budgeting.</p> <p>I project Generation</p> <ol style="list-style-type: none"> a) Identification of Investment proposals 	10

Question Number	Solution	Marks Allocated
	<p>b) Screening of proposals</p> <p><u>II</u> <u>project evaluation</u></p> <p>c) Evaluation of various proposals</p> <p><u>III</u> <u>project selection</u></p> <p>d) fixing priorities</p> <p>e) final Approval & preparation of Capital Expenditure Budget</p> <p><u>IV</u> <u>Project Execution</u></p> <p>f) Implementing proposals</p> <p>g) Performance Review.</p> <p>[Step I & II Carry 2 M each & step III & IV Carry 3 M each $\therefore 4+6 = 10$]</p> <p>b) Brief Explanation of any <u>six factors</u> which affect Investment decisions like</p> <ol style="list-style-type: none"> i) Management outlook ii) Competitors strategy iii) opportunities created by technological change iv) Market forecast v) Fiscal Incentives vi) Cash flow budget vii) Non economic factors <p>[any Six pt from above each Carry one mark] $1 \times 6 = 6$</p> <p>(08)</p> <p>6) Detailed Explanation about the need, procedure of (i) Current Asset & (ii) wealth management, advantages [each Carry 8 marks = 8×2]</p>	<p>6</p> <p>16</p>

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7a)	<p>Risk may be defined as "The possibility that the actual outcome of an investment will differ from its expected outcome"</p> <p>Types of Risk are with brief explanation.</p> <p>i) physical Risk ii) Technical Risk iii) Economic Risk iv) political Risk v) Business Risk vi) financial Risk vii) cyclical Risk viii) purchasing Risk ix) Interest rate Risk x) Stock price Risks xi) Tax law Risk xii) Foreign Exchange Risk. & so on.</p> <p>[Definition - 2 marks & types of Risk any 8, each carry 1/2 M \Rightarrow 4 M = 2+4]</p>	6																																																																														
b)	<p><u>solution for the problem given</u></p> <table border="1" data-bbox="245 952 1332 1881"> <thead> <tr> <th>year</th> <th>Dividend Share</th> <th>Closing Share price</th> <th>Annual rate of Return%, (R_i)</th> <th>$R_i - \bar{R}$</th> <th>$(R_i - \bar{R})^2$</th> </tr> </thead> <tbody> <tr> <td>1994</td> <td>2.5</td> <td>12.25</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>1995</td> <td>2.5</td> <td>14.2</td> <td>$\frac{2.5 + (14.2 - 12.25)}{12.25} = 36.33$</td> <td>9.84</td> <td>96.86</td> </tr> <tr> <td>1996</td> <td>2.5</td> <td>17.5</td> <td>40.85</td> <td>14.36</td> <td>206.22</td> </tr> <tr> <td>1997</td> <td>3</td> <td>16.75</td> <td>12.86</td> <td>-13.63</td> <td>185.71</td> </tr> <tr> <td>1998</td> <td>3</td> <td>18.45</td> <td>28.06</td> <td>1.57</td> <td>2.48</td> </tr> <tr> <td>1999</td> <td>3.25</td> <td>22.45</td> <td>38.21</td> <td>11.73</td> <td>137.51</td> </tr> <tr> <td>2000</td> <td>3.5</td> <td>23.5</td> <td>21.35</td> <td>-5.14</td> <td>26.38</td> </tr> <tr> <td>2001</td> <td>3.5</td> <td>27.75</td> <td>32.98</td> <td>6.49</td> <td>42.17</td> </tr> <tr> <td>2002</td> <td>3.5</td> <td>25.5</td> <td>45</td> <td>-21.98</td> <td>483.13</td> </tr> <tr> <td>2003</td> <td>3.75</td> <td>27.95</td> <td>24.31</td> <td>-2.17</td> <td>4.71</td> </tr> <tr> <td>2004</td> <td>3.75</td> <td>31.3</td> <td>25.4</td> <td>-1.08</td> <td>1.17</td> </tr> <tr> <td></td> <td></td> <td></td> <td>264.85</td> <td></td> <td>1186.36</td> </tr> </tbody> </table> <p>i) Annual rate of Return in % is tabulated as shown above.</p>	year	Dividend Share	Closing Share price	Annual rate of Return%, (R_i)	$R_i - \bar{R}$	$(R_i - \bar{R})^2$	1994	2.5	12.25	-	-	-	1995	2.5	14.2	$\frac{2.5 + (14.2 - 12.25)}{12.25} = 36.33$	9.84	96.86	1996	2.5	17.5	40.85	14.36	206.22	1997	3	16.75	12.86	-13.63	185.71	1998	3	18.45	28.06	1.57	2.48	1999	3.25	22.45	38.21	11.73	137.51	2000	3.5	23.5	21.35	-5.14	26.38	2001	3.5	27.75	32.98	6.49	42.17	2002	3.5	25.5	45	-21.98	483.13	2003	3.75	27.95	24.31	-2.17	4.71	2004	3.75	31.3	25.4	-1.08	1.17				264.85		1186.36	
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	<p>ii) <u>Average rate of Return</u> = $\bar{R} = \frac{1}{n} \sum_{i=1}^n R_i$</p> $= \frac{[36.33 + 40.85 + 12.86 + 28.06 + 38.22 + 21.35 + 32.98 + 4.5 + 24.31 + 25.4]}{10}$ $\bar{R} = \underline{26.48\%}$ <p>iii) <u>Variance</u> = $\sigma^2 = \frac{1}{n-1} \sum_{i=1}^n (R_i - \bar{R})^2$</p> $= \frac{1}{10-1} (1186.36)$ $= \underline{131.82}$ <p>iv) <u>Standard deviation</u> (σ)</p> $\sigma = \sqrt{\sigma^2} = \sqrt{131.82} = 11.48\%$ <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Annual rate of return tabulated in table</td> <td>4 M</td> </tr> <tr> <td>Average rate of Return</td> <td>2 M</td> </tr> <tr> <td>variance</td> <td>2 M</td> </tr> <tr> <td>Standard deviation</td> <td>2 M</td> </tr> </table> <p>(OR)</p>	Annual rate of return tabulated in table	4 M	Average rate of Return	2 M	variance	2 M	Standard deviation	2 M	10
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8) a)	<p>i) <u>Working Capital</u> = Current Assets - Current Liabilities</p> $WC = 2.5 - 1.0 = 1.5 \text{ i.e. Rs } 1,20,000 \quad [= \frac{1}{2} M]$ <p>ii) <u>Current Assets</u> = CA =</p> $WC (1.5) = \text{Rs } 1,20,000$ $\therefore CA (2.5) = ? = \frac{2.5}{1.5} \times 1,20,000 = \underline{2,00,000} \quad [= \frac{1}{2} M]$ <p>iii) <u>Current Liabilities</u> (CL)</p> $CA (2.5) = \text{Rs } 2,00,000$ $\therefore CL (1.0) = ? = \frac{1.0}{2.5} \times 2,00,000 = \text{Rs } 80,000 \quad [= \frac{1}{2} M]$ <p>iv) <u>Liquid Assets</u> (LA)</p> $= WC (1.5) = \text{Rs } 1,20,000$ $\therefore LA (1.75) = ? = \frac{1.75}{1.5} \times 1,20,000 = \underline{\text{Rs } 1,40,000} \quad [= \frac{1}{2} M]$ <p>v) <u>Stock</u> = CA - CL</p> $= 60,000 \quad [= \frac{1}{2} M]$	10								

Question Number	Solution	Marks Allocated																												
	<p>6) Debtors & Cash (given ratio of 3:2)</p> <p>\therefore Debtors = $\frac{3}{5} \times 140,000 = 84,000$</p> <p>Cash = $\frac{2}{5} \times 140,000 = 56,000$ — [2M]</p> <p>7) Creditors & Bills payable (ratio given as 4:1)</p> <p>Creditors = $\frac{4}{5} \times 80,000 = 64,000$</p> <p>Bills payable = $\frac{1}{5} \times 80,000 = 16,000$ [— 2M]</p> <p>8) Fixed Assets & Share Capital (given $\frac{FA}{PF} = 0.8:1$)</p> <p>Share Capital = Proprietary funds - Reserves & Surplus = 57,000</p> <p>Fixed Assets = Proprietary funds - Working Capital [— 2½M]</p> <p>= 4,80,000</p> <p style="text-align: center;"><u>Balance sheet</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 15%;">Rs</th> <th style="width: 30%;">Assets</th> <th style="width: 15%;">Rs</th> </tr> </thead> <tbody> <tr> <td>Share Capital</td> <td>57,000</td> <td>Fixed Assets</td> <td>4,80,000</td> </tr> <tr> <td>Reserves & Surplus</td> <td>30,000</td> <td>Current Assets</td> <td></td> </tr> <tr> <td>Current Liabilities</td> <td></td> <td>Stock</td> <td>60,000</td> </tr> <tr> <td>Creditors</td> <td>64,000</td> <td>Debtors</td> <td>84,000</td> </tr> <tr> <td>Bills payable</td> <td>16,000</td> <td>Cash</td> <td>56,000</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">6,80,000</td> <td></td> <td style="border-top: 1px solid black;">6,80,000</td> </tr> </tbody> </table> <p style="text-align: right;">[— 2M]</p>	Liabilities	Rs	Assets	Rs	Share Capital	57,000	Fixed Assets	4,80,000	Reserves & Surplus	30,000	Current Assets		Current Liabilities		Stock	60,000	Creditors	64,000	Debtors	84,000	Bills payable	16,000	Cash	56,000		6,80,000		6,80,000	
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<p>8b)</p>	<p>Definition of following six ratios (each carry 1M)</p> <p>i) Current ratio = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$</p> <p>ii) Inventory turnover = $\frac{\text{Cost of goods sold}}{\text{Avg Inventory}}$</p> <p>iii) Gross Profit = $\frac{\text{Gross Profit}}{\text{Net sales}} \times 100$</p> <p>iv) Debt-equity Ratio = $\frac{\text{outsiders funds}}{\text{Shareholders funds}}$</p>	<p>6M</p>																												

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	<p>v) <u>Solvency Ratio</u>: $\frac{\text{Total outside liabilities}}{\text{Total assets}}$</p> <p>vi) <u>Debtors Turnover Ratio</u>: $\frac{\text{Net Annual Credit Sales}}{\text{Avg Trade Debtors}}$</p> <p>[in each of above ratio, brief explanation is needed]</p>																																																																			
9a)	<p>Any Six important difference between Job Costing & process Costing [1 x 6 = 6]</p> <p>b) <u>Solution for the problem given</u></p> <table border="1" data-bbox="236 827 1332 2116"> <thead> <tr> <th>Particulars</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Raw material purchase</td> <td>66000</td> <td></td> </tr> <tr> <td>Add opening stock of R/M</td> <td>75000</td> <td></td> </tr> <tr> <td>less closing stock of R/M</td> <td>91500</td> <td></td> </tr> <tr> <td>Actual Material Consumed</td> <td>49500</td> <td></td> </tr> <tr> <td>Direct wages</td> <td>52500</td> <td></td> </tr> <tr> <td>Direct Expenses</td> <td>1500</td> <td></td> </tr> <tr> <td>Prime Cost</td> <td></td> <td>103500</td> </tr> <tr> <td>Indirect wages</td> <td>2750</td> <td></td> </tr> <tr> <td>factory rent</td> <td>15000</td> <td></td> </tr> <tr> <td>Depn on plant & machinery</td> <td>3500</td> <td></td> </tr> <tr> <td>Sundry factory Expenses</td> <td>10000</td> <td></td> </tr> <tr> <td></td> <td>31250</td> <td></td> </tr> <tr> <td>+ opening stock of WIP</td> <td>28000</td> <td></td> </tr> <tr> <td>- closing stock of WIP</td> <td>35000</td> <td></td> </tr> <tr> <td>factory overhead</td> <td></td> <td>24250</td> </tr> <tr> <td>∴ factory cost</td> <td></td> <td>127750</td> </tr> <tr> <td>Office rent</td> <td>2500</td> <td></td> </tr> <tr> <td>Sundry office Expenses</td> <td>6500</td> <td></td> </tr> <tr> <td>+ opening stock of finished goods</td> <td>54000</td> <td></td> </tr> <tr> <td>- closing stock of finished goods</td> <td>31000</td> <td></td> </tr> <tr> <td>Administrative overhead</td> <td></td> <td>32000</td> </tr> </tbody> </table>	Particulars	Amount	Amount	Raw material purchase	66000		Add opening stock of R/M	75000		less closing stock of R/M	91500		Actual Material Consumed	49500		Direct wages	52500		Direct Expenses	1500		Prime Cost		103500	Indirect wages	2750		factory rent	15000		Depn on plant & machinery	3500		Sundry factory Expenses	10000			31250		+ opening stock of WIP	28000		- closing stock of WIP	35000		factory overhead		24250	∴ factory cost		127750	Office rent	2500		Sundry office Expenses	6500		+ opening stock of finished goods	54000		- closing stock of finished goods	31000		Administrative overhead		32000	6
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	∴ Cost of goods sold	6500	
	Advertisement	3500	
	Carriage outwards	2500	
	Sales & distribution overhead		12500
	Total Cost		172250
	∴ Total Sales	211000	
	Profit [Sales - Cost]		38750

10a) Definition of budget " (OR)
 Comprehensive & Co-ordinated plan, expressed in financial terms, for the operations & resources of an enterprise for some specified period in the future" — [2H]

6H

Any four advantages & four disadvantages (each Carry 1/2 H = 8 x 1/2 = 4H)

Advantages of Budgeting

- i) leads to maximum utilization of resources with a view to ensure maximum returns
- ii) leads to Co-ordination & understanding b/w diff functions of organisation.
- iii) leads to supportive & active participation of the top mgt
- iv) leads to self examination & self criticism which is essential for the success of an organization.

Disadvantages of Budgeting

- i) Installation is elaborate process & consumes more time
- ii) It is an expensive tool.
- iii) It is not an exact science. It is only a judgement
- iv) Budgeting should be followed up by an effective control action.

Question Number	Solution						Marks Allocated	
10 b)	Solution for the problem given							
	Particulars	Jan	Feb	March	April	May	June	
	a) opening balance	37500	36325	4790	8575	6595	12050	
	b) Receipts:- Credit sales (Debtors)	25000	30000	20000	25000	30000	35000	
	Total (a + b)	62500	66325	24790	33575	36595	47050	10M
	c) Payments							
	Purchases (Creditors)	10000	15000	10000	15000	17000	20000	
	Wages	2100	2175	2375	2575	2775	2975	
	Manufacturing Expenses	1200	1250	1150	1300	1350	1450	
	Administrative "	975	1060	1040	1105	1120	1180	
	S&D Expenses	650	550	650	750	800	825	
	Sales Commission	1250	1500	1000	1250	1500	1750	
	Purchase of plant	10000	-	-	-	-	-	
	Purchase of new building	-	40000	-	-	-	-	
	Dividend	-	-	-	5000	-	-	
	Total (c)	26175	61535	16215	26980	24525	28180	
	Cash (d) (a + b - c)	36325	4790	8575	6595	2050	18870	
	<p>Cash Budget format — 1M Balance for Jan — 3M Balance for Feb — 2M " March — 1M April — 1M May — 1M Jun — 1M</p>							