

Course:	Bachelor of Management Studies (BMS)
Semester:	IV
Date:	29 – 04 – 2020 (Wednesday)
Class Time:	10:30 AM
Paper Name:	Financial Management
Paper Number:	403
Unit:	IV
Topic:	Revision – Worksheet - I
Teacher:	Deepak Verma

Dear Student,

These are practice questions you are requested to solve these. and upload solutions through Google Classroom only upto 01-05-2020 (Friday).

1. From the following information, prepare an estimate of Working Capital requirements:

- | | |
|--------------------------|----------------------|
| a) Projected annual sale | 78,000 units |
| b) Selling Price | Rs.80 per unit |
| c) Raw Material Cost | 50% of selling price |
| d) Direct Labour Cost | 20% of selling price |
| e) Overheads | 20% of selling price |

Raw Materials remain in stock on an average for 3 weeks, Goods remain in production process for 4 weeks on an average. 5 weeks are allowed to debtors to pay while firm gets 3 weeks credit from suppliers. Finished goods remain in stock for one month. Lag in the payment of wages and overheads expenses is two weeks. 30% of the sales are on cash basis. Assume that goods in process are 100% complete with respect materials but only 50% in conversion costs.

2. Prepare a cash budget for the quarter ending June, 2020 and estimate the cash requirements of a company on the basis of the following information:

Months:	Sales (₹)
February	15,000
March	12,000
April to June	16,000 (p.m.)

Additional Information:

- Roughly $\frac{1}{2}$ the sales are for cash. 80% of the credit sales are collected in the month following sales and the balance thereafter one month.
- Goods are always purchased for cash to avail the discount of 5%. The purchase budget for the quarter (April to June) is ₹8,000 p.m.

- c) Wages and salaries are ₹3,000 p.m.
- d) Manufacturing and other expenses budgeted for the quarter are :
- | | |
|---|-------------|
| Manufacturing | ₹2,700 |
| Depreciation | ₹3,600 |
| Written off Preliminary Expenses | ₹600 |
| Administrative Expenses (April to June) | ₹1,000 p.m. |