Financial Management- II

Roll no- 2020

1. Calculate operating leverage, financial leverage and combined leverage from the following information provided by Shilpi Ltd. Under situation I and II and financial plan A and B:

Installed capacity: 5000 units, actual production 60% of installed capacity.
Selling price is Rs. 20 per unit, variable cost is Rs. 5 per unit.
Fixed cost:
Situation I : Rs. 18000
Situation II : Rs. 21000

Capital Structure	Plan A	Plan B
Equity capital	Rs. 10000	Rs. 15000
12% Debentures	Rs. 10000	Rs. 5000

2. Namrata Industries Ltd. is marketing all its products through a network of dealers. All sales are on credit and the dealers are given one month time to settle bills. The company is thinking of changing the credit period with a view to increase its overall profits. The marketing department has prepared the following estimates for different periods of credit

	Present policy	Plan I	Plan II	Plan III
Credit period (in months)	1	1.5	2	3
Sales (Rs. Lakhs)	120	140	150	170
Fixed costs (Rs. Lakhs)	30	30	35	38
Bad debts (% of sales)	0.5	0.8	1	1.2

The company has a contribution/sales ratio of 30% further it requires a pre-tax return on investment at 25%. Evaluate each of the above proposals and recommend the best credit period for the company.

3. Aarti Ltd. Gives you the following information:

For production of 10000 kgs of a finished product, budgeted expenses are as under:

	Rs.per unit	
Direct materials	120	
Direct wages	50	
Variable overhead	40	
Fixed overhead	20	
Variable expenses (direct)	10	
Selling expenses (20% fixed)	20	
Administration expenses (rigid at all levels)		10
Distribution expenses (30% fixed)		10

Prepare a flexible budget for production of 5000 kgs, 8000 kgs and 12000 kgs

Roll no- 3022

1. Prepare a cash-budget of Khushbu Ltd. for April, May & June from the following information:

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Overheads Rs.
February (Actual)	1,80,000	1,20,000	23,000	6000
March (Actual)	1,75,000	1,22,000	22,000	6000
April (Budgeted)	1,90,000	1,30,000	25,000	7000
May (Budgeted)	1,85,000	1,22,000	26,000	6000
June (Budgeted)	1,80,000	1,15,000	24,000	5000

You are further informed that:

a. The average collection period for debtors is 3 months.
b. 20% of the purchases and 10% of sales are for cash.
c. Of the creditors, $1/4^{th}$ are paid in the next month and balance in next to next month.
d. Lag in payment of wages is ½ month
e. Lag in payment of overheads is $3/4^{th}$ month
f. Cash and Bank balances as on 1^{st} April was Rs. 15,000.

2. Sarita Ltd. manufactured and sold 2000 pressure cookers in the year 2016. the production cost per unit was a under:

	Rs.
Material	350
Labour	100
Overheads	100
Total Cost	550
Profit	200
Selling price	750

For the year 2017, it is estimated that:

(1) The output and sales will be 4000 hand-sets.
(2) Raw materials will remain in stock for half month before issue to production.
(3) Finished goods will remain in godown for one and half month before sale.
(4) 75% sales will be on credit and credit allowed to customers will be two months.
(5) 60% of raw materials requirements will be obtained from the supplier from Canada by making one month advance payment. Balance creditors allow credit of a month.
(6) Wages and Overheads are paid one month in arrears.
(7) Materials will be in process on an average for one and a half month.
(8) Cash in hand and with bank should always be Rs. 7000.

You are required to forecast working capital requirement of the company.

3. List the objectives of Material Requirement planning

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