

**Test - 1**

Time Allowed: 1 hour	19-Jan-2020	Total Marks :34 Marks
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**TOPICS: - WORKING CAPITAL LEVERAGES, INTERNATIONAL TRADE (UNIT-5)  
AND FISCAL POLICY (UNIT-1)**

**Q.1.** Explain Treasurer Management **(4 Marks)**

**Q.2.** A firm has a total sales of ₹ 12,00,000 and its average collection period is 90 days. Past experience indicates that bad debt losses are 1.5% on sales. The expenditure incurred by the firm in administering receivable collection efforts are ₹ 50,000. A factor is prepared to buy the firm's receivable by charging 2% commission. The factor will pay advance on receivables to the firm at an interest rate of 16% per annum after withholding 10% as reserve.

**Required: (1)** Evaluate the decision regarding engagement of factor. **(2)** Calculate, in % terms, the annual cost of factor commission and interest in relation to the amount of advance. **(5 Marks)**

**Q.3** The following information is available for a concern for the year-ended 31.3.2016.

Total sales (Quantity) - 1,00,000 units	Equity (Face value of each share of ₹ 10) - ₹ 50,00,000
Fixed Cost - ₹ 12,60,000	Income Tax rate - 35%
Variable Cost - 55% of sales	Selling price per unit - ₹ 80
Debt @10% - ₹ 54,00,000	

You are **required** to find out: -

- (i) Income Statement for the year ended 31.3.2016
- (ii) Operating, Financial and Combined Leverage
- (iii) Company's Return on Investment
- (iv) How much of the company' sales have to come down so that earning of the company before tax comes down to zero? **(5 Marks)**

**Q.4.** The management of JP & Co. Ltd. has called for a statement showing the working capital needed to finance a level of activity of 3,00,000 units of output for the year. The cost structure for the company's product, for the above mentioned activity level, is **detailed** below: -

Particulars	Cost per unit (₹)
Raw Materials	20
Direct Labour	5
Overheads (including depreciation ₹ 5)	20
Total cost	45
Profit	5
Selling prices	50

Past trends indicate that the raw materials are held in stock, on an average, for two months. Work-in-process will approximate to ½ month's production. Finished goods remain in warehouse, on an average, for 1 month. Suppliers of materials extend 1 month's credit. Two month's credit is normally allowed to debtors. A minimum cash balance of ₹ 25,000 is expected to be maintained. The production pattern is assumed to be even during the year. Cash sales are 75% less than the credit sales. Safety margin 20%. You are **required** to prepare a Statement of working capital determination. **(10 Marks)**

**Q.5.** Explain Forward Exchange Rate **(3 Marks)**

**Q.6.** Explain how foreign exchange rate is determined with graphical representation **(2 Marks)**

**Q.7.** What are the objectives of fiscal policy to be achieved by under developed countries? **(3 Marks)**

**Q.8.** Explain "Crowding Out". **(2 Marks)**