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Started on	Friday, 26 March 2021, 3:34 PM
State	Finished
Completed on	Friday, 26 March 2021, 4:54 PM
Time taken	1 hour 20 mins
Grade	**11.00** out of 15.00 (**73**%)

Question **1**

Complete

Mark 5.00 out of 5.00

A machinery manufacturing unit furnishes the following information : -

Material cost per machine - Rs. 44,000

Supervisors salary - Rs. 20,000 per month

Direct wages to operators - Rs. 16,000 per machine

Power consumed - Rs. 2000 per machine

Rent and Admn expenses - Rs. 40,000 per month

Interest payable - Rs. 60,000 per month

Selling price of a machine - Rs. 82,000

Find out the break even point of the above unit (QTY & VALUE) and also how many machines are to be manufactured in a month to get a profit of Rs. 1,00,000

fixed cost :

= Supervisors salary + Rent and Admin expenses +Interest payable

= 20000 + 40000 + 60000 = 1,20,000

variable cost:

= Material cost + wages per machine+ Power per machine

= 44000+16000+2000 = 62,000

contribution = sales - variable cost = 82000 - 62000 = 20000

BEP (quantity) = Fixed cost / contribution = 120000/20000 = 6 units

BEP sales (value) =6*82000=492000

machines to get profit of 1 lakh:

= (Fixed cost +desired profit)/contribution per unit

= 120000+100000/20000 =11 units

Thus,11 units to be manufactured to get a profit of Rs. 1,00,000

Question **2**

Complete

Mark 6.00 out of 10.00

1. Comment on the financials (financial liquidity, Operational viability, financial standing etc) of a manufacturing company with its financial statements as on 31.12.2020

TRADING , PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2020

	Amount (Rs.)		Amount(Rs.)
To Opening Stock	30000	By Sales	
,, Purchases - Cash	180000	- Cash	300000
- Credit	20000	- Credit	120000
,, Wages	55000	,, Closing Stock	15000
,, Mfg Expenses	5000		
, Power charges	15000		
,, Gross Profit c/d	130000		
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	435000		435000
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To Salaries	35000	By Gross Profit b/d	130000
,, Admn Expenses	25000	,, Discount	44000
,, Selling Expenses	10000	,, Profit on sale of car	100000
,, Warehouse expenses	17000		
,, Interest	72000		
,, Depreciation	30000		
,, GST	12000		
,, Contribution to National Relief Fund	15000		
,, Donation	5000		
,, Net Profit	53000		
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	274000		274000

Income Tax applicable - 30 %

BALANCE SHEET AS ON 31.12.2020

LIABILITIES	Amount (Rs.)	ASSETS	Amount(Rs.)
Share Capital (10000shares)	100000	Equipments	230000
General Reserve	50000	Land & Buildings	225000
Pref. Share Capital(9%)	80000	Fixed Deposit with Banks	700000
Research & Devpt Fund	50000	Goodwill	60000
Long Term Loan	900000*	Receivables	30000
Bank Overdraft	60000	Cash	20000
Creditors	30000	Stocks	15000
Wages Outstanding	10000		
TOTAL	1280000		1280000

* Term loan instalment repayable - Rs. 45000 per year

FINANCIAL STANDING

DEBT/EQUITY ratio :

Debt = 900000

Equity = 100000 + 50000 + 80000 + 50000 = 280000

Debt/Equity = 900000/280000 = 3.21

Ideal ratio is 3:1

Thus, long term financial solvency good

OPERATING RATIO : = (operating expense/sales)*100

operating expense = (sales - gross profit) + other operational expense

= 420000 - 130000 + 25000(Admin Expenses) + 10000 (Selling Expenses) +

17000(Warehouse expenses) +72000 (Interest) + 30000 (Depreciation) + 12000(GST)

= 406000

(operating expense/sales)*100 = (406000/420000)*100 = 96%

FINANCIAL LIQUIDITY :

Current Ratio : Current assets / Current liabilites

Current assets = Receivables + cash + stocks + Fixed deposit with Banks = 765000

Current Liabilites = Bank Overdraft + Creditors + wages outstanding = 100000

Current Ratio = 7.65

The ratio we got is more than the required(2:1) which means we are not using the assets efficiently

Quick Ratio : Quick Assets / Quick Liabilities

Quick Assets = Current Assets - Stock = 7, 50, 000

Quick Liabilities = Current Liabilities - Bank OD = 40, 000

Quick Ratio = 18.75

Since the ratio is more than required so quick assets needs to be utilized.

OPERATIONAL VIABILITY:

working capital turnover ratio :

Working Capital Turnover ratio = Sales / Working Capital

Working capital = Current assets - Current liabilities= 665000

Sales = 420000

Working Capital Turnover ratio = 1.583

The ratio is not ideal and the working capital is not getting utilized efficiently.

stock turnover ratio=cost of goods sold/avg stock

cost of goods sold=sales -gp=420000-130000=290000

avg stock=op.stock-closing stock/2=30000+15000/2=22500 stock turnover ratio=290000/22500=12.8

ideal>10

it is high indicating firm's investment in inventories is efficiently changed to sales efficiently.

more sales are being made with each unit of investment in inventories

FIXED ASSET TURNOVER RATIO:

F.A.T.R= SALES/FIXED ASSETS

=420000/455000=0.9

has to be improved

◄ CA1__Part2__2M

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