Q-1

(a)

1)Which of the following inventory management techniques focuses on minimizing inventory levels by ordering new stock only when needed?

B) Just-in-Time (JIT)

2.Financial management involves the strategic management of a company" financial resources to achieve its financial goals. Which of the following is NOT a key aspect of financial management?

D) Human resource management

3.Overhead costs are indirect costs that cannot be easily attributed to a specific product or service. Which of the following is an example of an overhead cost?

C) Factory rent

4. Which of the following financial ratios measures a company's ability to meet its short-term obligations?

C) Current Ratio

5. Working capital is a measure of a company's short-term liquidity and operational efficiency. Which of the following formulas correctly calculates working capital?

A) Current Assets - Current Liabilities

(b)

1.Which of the following methods of capital budgeting uses discounted cash flow to evaluate investment projects?

B) Internal rate of return (IRR)

2.Leverage refers to the use of:

A) Debt financing to increase potential returns.

3.Profitability Index (PI) is a capital budgeting technique that measures:

A) The profitability of an investment project.

4.Capital budgeting is the process of:

C) Evaluating and selecting long-term investment projects.

5. Which of the following is an example of a long-term source of finance for a company?

B) Bank loan

Q.2 (a) What do you mean by cash budget? Write down format of cash budget.

A cash budget is a financial plan that shows the expected inflows and outflows of cash for a business over a specific period of time. It is used to estimate the amount of cash that will be available to the business at any given time and to help the business plan for future expenses.

The format of a cash budget typically includes four sections:

* Cash receipts: lists all cash inflows excluding cash received from financing.
* Cash disbursements: consists of all cash payments excluding repayments of principal and interest.
* Cash surplus or deficit: shows the difference between the total cash receipts and total cash disbursements.
* Financing: shows any borrowing or repayments of principal and interest.

(b) Calculate EOQ demand 5000 units cost per unit 5 or per unit 20%.

The Economic Order Quantity (EOQ) model is used to determine the optimal order quantity that minimizes the total cost of ordering and holding inventory1. The formula for EOQ is:

EOQ = (2 × D × S / H) 1/2

where D represents the annual demand (in units), S represents the cost of ordering per order, and H represents the carrying/holding cost per unit per annum.

Using your values of 5000 units and a cost per unit of $5 or 20%, we can calculate the EOQ as follows:

If the cost per unit is $5, then S = $5.

If the cost per unit is 20%, then S = 20% of $5 = $1.

D = 5000 units.

H is not given.

Therefore, we cannot calculate the EOQ without knowing the carrying/holding cost per unit per annum.

Q.3

(a) On the basis of following information calculate: Minimum Level,

|  |  |
| --- | --- |
| **Particulars** | **Information** |
| Normal Consumption | 110 Units per day |
| Minimum Consumption | 70 Units per day |
| Maximum Consumption | 130 Units per day |
| Ordering Quantity | 5,000 Units |
| Re-order Period | 25 to 30 Days |

Re-order Period 25 to 30 Days

Sent message. On the basis of following information calculate: Minimum Level, Particulars Normal Consumption Information 110 Units per day Minimum Consumption 70 Units per day Maximum Consumption 130 Units per day Ordering Quantity 5,000 Units Re-order Period 25 to 30 Days

The minimum level of inventory is the level below which the stock of inventory should not be allowed to fall. It is calculated as follows:

Minimum level = Normal consumption x Re-order period

Using your values of normal consumption of 110 units per day and a re-order period of 25 to 30 days, we can calculate the minimum level as follows:

* Minimum consumption = 70 units per day.
* Normal consumption = 110 units per day.
* Re-order period = 25 to 30 days.

Therefore, the minimum level of inventory is:

Minimum level = 110 units per day x 25 days = **2750 units**.

(b) On the basis of information given in Calculate: Maximum Level and Ordering level.

Based on the information you provided, I believe you are looking for the maximum level and ordering level. Here is how you can calculate them:

* Maximum Level = Reordering Level + Reorder Quantity – (Minimum Consumption x Minimum Reorder period)
* Reordering Level = Maximum Consumption x Maximum Reorder period
* Minimum Stock Value = Reordering Level – (Normal Consumption x Normal Reordering Period)

Using the information you provided, we can calculate the maximum level as follows:

* Maximum Consumption = 130 units per day
* Minimum Consumption = 70 units per day
* Minimum Reorder period = 25 days
* Maximum Reorder period = 30 days
* Reorder Quantity = 5,000 units

Reordering Level = Maximum Consumption x Maximum Reorder period = 130 units/day x 30 days = 3,900 units

Minimum Stock Value = Reordering Level – (Normal Consumption x Normal Reordering Period) = 3,900 units - (110 units/day x 25 days) = 1,650 units

Maximum Level = Reordering Level + Reorder Quantity – (Minimum Consumption x Minimum Reorder period) = 3,900 + 5,000 - (70 x 25) = **6,150 units**.

Q.4 **(a) Project cost 11000 cash flow year wise 1 6000 2 2000 3 1000 4 5000 discounting factor 12 % find out NPV**

To calculate the NPV of the project, we need to discount the cash flows to their present value and then add them up.

The formula for calculating NPV is:

NPV = CF1/(1+r)^1 + CF2/(1+r)^2 + CF3/(1+r)^3 + CF4/(1+r)^4 - Initial Investment

Where:

* CF1 = Cash flow in year 1 = 6000
* CF2 = Cash flow in year 2 = 2000
* CF3 = Cash flow in year 3 = 1000
* CF4 = Cash flow in year 4 = 5000
* r = Discount rate = 12%
* Initial Investment = Project cost = 11000

Substituting the values in the formula, we get:

NPV = (6000/1.12^1) + (2000/1.12^2) + (1000/1.12^3) + (5000/1.12^4) - 11000

NPV = 464.47

Therefore, the NPV of the project is Rs. 464.47.

**(b)Assume a sum of $50,000 is invested for one year at 20% interest compounded annually. What will be the future value of that money?**

The future value of an investment when interest is compounded annually can be calculated using the formula: FV = PV [1 + (r/n)] nt. Here, PV is the present value (initial investment), r is the rate of interest (in decimals), n is the number of times the amount is compounding, and t is the time in years. Alternatively, the formula for annual compound interest is FV=P⋅(1+rm)m⋅t, where FV is the future value of the investment, P is the initial balance, r is the annual interest rate (in decimal), m is the number of times the interest is compounded per year, and t is the total number of years.

Using these formulas and given that $50,000 is invested for one year at 20% interest compounded annually, we can calculate that the future value of that money will be $60,000.

Q.5

(a) The present value of the house is 85,000. Its price is going to grow at the rate of 6% per year for four years. Find the future value.

To find the future value of an investment, you can use the formula FV = PV (1+i) n where FV is future value, PV is present value, i is interest rate per period, and n is number of periods1. In this case, the present value of the house is 85,000 and it will grow at a rate of 6% per year for four years. So we can substitute these values in the formula to get:

FV = 85,000 (1+0.06)^4

FV = 85,000 (1.262)

FV = 107,170

Therefore, the future value of the house after four years will be 107,170.

(b) Project cost is 21000. Cash flow year-wise: 1st year - 9000, 2nd year - 5000, 3rd year - 8000, and 4th year - 7000. Find out the payback period.

To calculate the payback period, you need to find out how long it takes for the initial investment to be recovered. You can do this by adding up the cash inflows until they equal the initial investment. In this case, the initial investment is 21000.

The cash inflows for each year are:

* Year 1: 9000
* Year 2: 5000
* Year 3: 8000
* Year 4: 7000

To calculate the payback period, you can start by subtracting the cash inflow for year one from the initial investment: 21000 - 9000 = 12000

Then you subtract the cash inflow for year two from the result: 12000 - 5000 = 7000

Then you subtract the cash inflow for year three from the result: 7000 - 8000 = -1000

Since the result is negative, it means that the initial investment has not yet been recovered by the end of year three. Therefore, you need to add the cash inflow for year four to get a positive result: -1000 + 7000 = 6000

So it takes three years and some of year four to recover the initial investment. The payback period is approximately **3 years and 8 months**.