

University Elective
Financial Management
Even Semester, A.Y. 2021-22

Numerical – Cash and liquidity management

1. From the following information, prepare Cash Budget of XYZ Ltd. for the quarter ending on 30.06.2021 and find out deficiency/surplus at the end of each month of the quarter.

Month	Sales	Purchases	Wages	Other Expenses
February	450000	320000	30000	25000
March	500000	350000	48000	30000
April	300000	250000	32000	25000
May	420000	400000	40000	42000
June	350000	220000	32000	18000

Additional Information:

1.	Cash in hand on 01.04.2021 (Rs.)	25000
2.	Sales: realized in the month of sale (%)	20
	And discount allowed (2%)	2
3.	The balance realized after two months of sales	
4.	Proportion of purchase paid after one month of purchase (%)	80
5.	Proportion of purchase paid after two months of purchase (%)	20
6.	Anticipated receipt from the sale of a machinery in April (Rs.)	100000
7.	Proportion of the wages paid on the due date (%)	75
8.	Proportion of the wages paid during the next month (%)	25
9.	Other expenses are paid at a lag of one month	
10.	Income tax due on or before 30.06.2021 (Rs.)	50000
11.	Minimum cash balance required	60000

2. From the following information, prepare Cash Budget of MN Ltd. for the quarter ending on 31.03.2021 and find out deficiency/surplus at the end of each month of the quarter.

Month	Sales	Purchases	Wages	Other Expenses
November	600000	450000	45000	38000
December	750000	550000	72000	42000
January	400000	320000	44000	60000
February	760000	660000	56000	62000
March	500000	400000	50000	33000

Additional Information:

1.	Cash in hand on 01.01.2021 (Rs.)	35000
2.	Sales: realized in the month of sale (%)	20
	And discount allowed (2%)	2
3.	The balance realized after two months of sales	
4.	Proportion of purchase paid after one month of purchase (%)	80

5.	Proportion of purchase paid after two months of purchase (%)	20
6.	Anticipated receipt from the sale of a machinery in April (Rs.)	135000
7.	Proportion of the wages paid on the due date (%)	75
8.	Proportion of the wages paid during the next month (%)	25
9.	Other expenses are paid at a lag of one month	
10.	Income tax due on or before 31.03.2021 (Rs.)	40000
11.	Minimum cash balance required	90000

3. ABC Ltd. projects that cash outlays of Rs. 22.5 crore will occur uniformly throughout the year. ABC Ltd. plans to meet its cash requirements by periodically selling the market securities from its portfolio. The firm's marketable securities are invested to earn 15% and the cost per transaction of converting securities to cash is Rs. 9000. Use the Baumol model to determine the optimal transaction size?
4. P Ltd. projects that cash outlays of Rs. 40 lakh will occur uniformly throughout the year. P Ltd. plans to meet its cash requirements by periodically selling the market securities from its portfolio. The firm's marketable securities are invested to earn 12% and the cost per transaction of converting securities to cash is Rs. 6000. Use the Baumol model to determine the optimal transaction size?
5. DM Ltd. expects its cash flows to behave in a random manner, as assumed by the Miller and Orr Model. DM wants you to establish the upper control limit and the return point. It provides the following information as requested by you:
 - The annual yield on marketable securities is 10%
 - The fixed cost of effecting a marketable securities transaction is Rs. 5000
 - The standard deviation of the change in daily cash balance is Rs. 6000
 - The management of DM would like to maintain a minimum cash balance of Rs. 100000
6. DEF Ltd. expects its cash flows to behave in a random manner, as assumed by the Miller and Orr Model. DEF wants you to establish the upper control limit and the return point. It provides the following information as requested by you:
 - The annual yield on marketable securities is 14%
 - The fixed cost of effecting a marketable securities transaction is Rs. 5000
 - The standard deviation of the change in daily cash balance is Rs. 7000
 - The management of DEF would like to maintain a minimum cash balance of Rs. 500000