

Additional Information:

- a) Minimum desired Cash Balance is Rs. 20,000/-
- b) Raw material are held in stock, on an average for two months.
- c) Work in progress (assume 50 % completion stage) will appropriate to half a month's production.
- d) Finished goods remain in warehouse, for an average for a month.
- e) Suppliers of materials extend a months credit and debtors are provided two months credit, cash sales are 25 % of total sales.
- f) There is a time lag in payment of wages of a month, and half –a-month in the case of overheads.

From the above facts, you are required to prepare a statement showing working capital requirement.

Q. 7 A company is considering the replacement of its existing machine. The company is faced with two alternatives, Machine A and Machine B. The cash flows at the present level of operations under the two alternatives are as follows: **(15)**

Cash flows (in lacs of Rs.) at the end of year

Year	0	1	2	3	4	5
Machine A	-25	-	5	20	14	14
Machine B	-40	10	14	16	17	15

The company's cost of capital is 10 %. Evaluate the two alternatives on the basis of:

- a) Net Present Value
- b) Profitability Index
- c) Payback Period
- d) Discounted Payback Period

Q. 8 From the following particulars, Calculate the operating leverage, financial leverage and combined leverage: **(15)**

Balance sheet of 'X' Ltd. as on 31/03/2016

Liabilities	Rs.	Assets	Rs.
Equity Share Capital (Rs. 10/- each)	24,00,000	Fixed Assets	42,00,000
15 % Debentures	16,00,000	Current Assets	38,00,000
General Reserve	14,00,000		
Current liabilities	26,00,000		
	80,00,000		80,00,000

Additional Information:

- a) EBIT is 25 % on sales for the year ended 31/03/2016.
- b) The Profit Volume Ratio (P/ V Ratio) is 40 %.
- c) The total Asset turnover (Sales / Total Assets) for the year is 2.

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