



Question 1 (June 2017)

From the following Summarised Statement of Assets and Liabilities of XYZ Ltd., prepare a Statement of Changes in the Working Capital.

	31st March			31st March	
	2015 (₹)	2016 (₹)		2015 (₹)	2016 (₹)
LIABILITIES			ASSETS		
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Preference Share Capital	1,50,000	1,00,000	Land & Buildings	2,00,000	1,70,000
Profit & Loss Account	30,000	48,000	Plant & Machinery	80,000	2,00,000
General Reserve	40,000	70,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

Following additional information are available:

1. Depreciation of ₹ 10,000 and ₹ 20,000 have been charged on Plant & Machinery and Land & Buildings respectively in 2016.
2. Interim dividend of ₹ 20,000 has been paid in 2016.
3. Income tax of ₹ 35,000 has been paid in 2016.

Question 2 (June 2017)

From the following data, compute the duration of the Operating Cycle for each of the two years:

	Year 1 (₹)	Year 2 (₹)
Stock:		
Raw Materials	20,000	27,000
Work-in-progress	14,000	18,000
Finished goods	21,000	24,000
Purchases	96,000	1,35,000
Cost of goods sold	1,40,000	1,80,000
Sales	1,60,000	2,00,000
Debtors	32,000	50,000
Creditors	16,000	18,000

Assume 360 days per year for computational purposes.



Question 3 (December 2023 S22)

P Ltd. has received an offer of quantity discounts on its order of materials as under:

Ordering quantities (Kgs)	Price per kg.
Less than 500	12
500 but less than 1600	11.8
1,600 but less than 4000	11.6
4,000 but less than 8,000	11.4
8,000 and above	11.2

The annual requirement for the material is 8,000 kgs. The ordering cost per order is 12.00 and the stock holding cost is estimated at 20% of material cost per annum. As a Cost and Management Accountant you have to compute the most economical ordering quantity.

Question 4 (December 2022)

Tulsian Ltd., is considering changing its credit terms from 1/35, net 60 to 2/10, net 60. As a result, the credit sales will increase from 150 crores to 105%, the Average collection period will decline by 25 days and the Default Percentage will increase from 0.5% to 1%. Collection Expenses will increase from 35,000 to 40,500. At present, Selling Price is 300 per unit, Contribution to Sales Ratio 20%, Average Cost is 270 per unit and 60% of the credit customers avail cash discount. Should the credit terms be changed if the required rate of return is 24% (pre-tax) and the Tax rate is 25%? (Take 360 days in a year.)

Question 5 (June 2018)

The management of CAMELLIA 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 ended March 31, 2018. The cost structure for the company's product, for the above mentioned activity level, is detailed below:

	Cost per unit (₹)
Raw materials	20
Direct labour	5
Overheads	15
Total cost	40
Profit	10
Selling price	50

Past trends indicate that the raw materials are held in stock, on an average, for two months. Work-in-process (50 per cent complete) 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 months' 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 (12 months).

Required:



Prepare a statement of Working Capital determination.

Question 6 (June 2019)

GOLDILOCKS LTD. sells goods to domestic market on a gross profit of 25% on sales without considering depreciation. Its estimates for the year 2019-20 are as follows:

(Amount in ₹ Lakh)

Sales:	
Domestic Market at 2 months' Credit	1600
Export (Selling price 10% below home price) (Exports at 3 months' Credit)	540
Cost:	
Materials used (Suppliers extend 2 months' Credit)	600
Wages paid (1/2 month in Arrear)	400
Manufacturing Expenses (Paid 1 month in Arrear)	600
Sales Promotion (Payable quarterly in advance)	80
Administration Expenses (Paid 1 month in Arrear)	200

The company maintains one month's stock of each raw material and finished goods.

A cash balance of ₹ 20 lakh is also maintained.

There is no Work-in-Progress (WIP).

All expenses and incomes are made evenly throughout the year.

Required: Prepare a statement of Working Capital Requirements of the Company for 2019-20 on Cash Cost basis.

Question 7 (June 2023 S16/June 2023 S22)

ALC Ltd. provides you with the following information: Estimated Level of Activity:

Completed Units of Production 1,04,000 plus units of WIP.

Raw-material	19.6% of the selling price
Wages	10.6% of the selling price
Production Overheads (including depreciation of 15 per unit at the budgeted level of activity)	17.6% of the selling price
Selling Price	500 per unit
Average raw material in stock.	3 weeks
Average work-in-progress (% of completion with respect to Material-75%, Conversion Cost-70%)	2 weeks
Finished goods in stock	4 weeks
Credit allowed to debtors	2½ weeks
Credit allowed by creditors	3½ weeks
Time lag in payments of labour	2 weeks
Time lag in payments of Production Overheads	1½ weeks
Cash Sales and Cash Purchases	25%



The company believes in keeping 3,00,000 available to it including the overdraft limit of 75,000 not yet utilized by the company.

Provision for contingencies is required @ 4% of working capital requirement including that provision.

Assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly.

(a) You are required to calculate the Net Working Capital Requirement on Cash Cost Basis if ALC Ltd. is a newly formed company.

(b) You are required to calculate the Net Working Capital Requirement on Cash Cost Basis if ALC Ltd. is a existing company.

Question 8 (December 2023 S16)

A proforma cost sheet of BOSM Ltd., a manufacturing Company provide the following particular:

Particulars	Amount per unit
Raw materials cost	100
Direct labour cost	37.5
Overheads cost	75
Total Cost	212.5
Profit	37.5
Selling price	250

The Company keeps raw material in stock, on an average for one month, work-in-progress, on an average for one week; and finished goods in stuck on an average for two weeks. The credit allowed by suppliers is three weeks and company allows for six weeks credit to its debtors. The lag in payment of wages is one week and lag in payment of overhead expenses is two weeks.

The Company sells one-fifth of the output against cash and maintains cash-in-hand and at bank put together at Ra. 37,500.

Required: Prepare a statement showing estimate of working capital needs to finance an activity level of 1,30,000 units of production. Assume that production is carried on evenly throughout the year, and wages and overheads accrue similarly. Work-in-progress stock is 80% complete in all respects.

Question 9 (June 2023 S22)

TULSI Ltd. provides the following information:

The company maintains a minimum cash balance of 10,00,000. The standard deviation of the company's daily cash flow is 3,60,000. The annual interest rate is 12%. The transaction cost of buying & selling securities is 180 per transaction. (Assume 360 days in a year).

Required: Calculate the upper limit, return point, and Average Cash Balance as per the Miller-Orr model.



Question 10 (December 2023 S22)

From the following information you are required to estimate the net working capital requirement:

Particulars	
Cost per unit (Rs.)	
Raw Materials	40
Direct labour	15
Overheads (excluding depreciation)	30
Total Cost	85
Additional Information:	
Selling-Price	100 per unit
Output	52,000 units per annum
Raw Material in stock	average 4 weeks
Work-in-process: (Assume 50% completion stage with full material consumption)	average 2 weeks
Finished goods in stock	average 4 weeks
Credit allowed by suppliers	average 4 weeks
Credit allowed to debtors	average 8 weeks
Cash at bank is expected to be	50000

Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. State any other assumption that you might have made while computing.

Question 11 (June 2023 set 2/December 2018)

GOLDEN GARMENT LTD. manufactures readymade garments and sells them on credit through a network of dealers. Its present sale is ₹60 lakh per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increasing sales. Present variable costs are 70 per cent of sales and the total fixed costs ₹8 lakh per annum.

The company expects pre-tax return on investment @25per cent. Some other details are given as under:

Proposed credit policy	Average collection period (days)	Expected annual sales (Amount in ₹ lakh)
I	30	65
II	40	70
III	50	74



Required: Advise the management as to which credit policy should the company adopt? Present your answer in a tabular form. Assume 360-day a year. Calculations should be made up to two digits after decimal. Ignore taxation.

Question 12 (June 2024)

MJK Ltd. has called for a statement showing the working capital needed to finance a level of activity of 30,000 units of output for the year. The cost structure for the company's product for the above-mentioned activity level is detailed below:

Cost Per Unit:

Raw Material =20, Direct Labour =5, Overheads =15,

Total Costs = 40, Profit = 10, Selling Price =50

Additional Information:

- Raw Materials are held in stock, on an average, for two months.
- Work in Progress (100% completed in regard to materials and 50% for labour and overheads) will approximately be half a month's production.
- Finished goods remain in warehouse, on an average, for a month.
- Suppliers of materials give a month's credit.
- Two months credit is allowed to Debtors. Calculation of debtors may be made at selling price.
- A minimum cash balance of 25,000 is expected to be maintained.
- 30% of the production is sold for cash.
- It may be assumed that production is continued evenly throughout the year.

Prepare the statement showing working capital requirement.

Question 13 (June 2024)

The annual cash requirement of MJ Ltd. is 10 lakh. The company has marketable securities in lot sizes of ₹ 50,000, ₹ 1,00,000 ₹ 2,00,000 ₹ 2,50,000 and ₹ 5,00,000. Cost of conversion of marketable securities per lot is ₹1,000. The company can earn 5% annual yield on its securities. As a Cost and Management Accountant you are required to prepare a table indicating which lot size will have to be sold by the company. Also show that the Economic lot size can be obtained by the Baumol Model.

Question 14 (December 2024)

JBC Ltd. sells goods at a gross profit of 25%. Depreciation is considered as a part of cost of production. The following are the annual figures given to you:

Sales (2 months' credit)	₹ 18,00,000
Materials consumed (1 month credit)	₹ 4,50,000
Wages paid (1 month lag in payment)	₹ 3,60,000
Cash manufacturing expenses (1 month lag in payment)	₹ 4,80,000
Administrative expenses (1 month lag in payment)	₹ 1,20,000



Sales promotion expenses (paid quarterly in advance) ₹ 60,000

The company keeps one month's stock each of raw materials and finished goods. It also keeps 1,00,000 in cash.

You are required to estimate the working capital requirements of the company on cash cost basis, assuming 15% safety margin.

Question 15 (December 2024)

Himalaya Refrigeration Company purchases 1,600 units of a component annually, from Bolts & Pins Associates. The annual cost of holding each unit of component is 8 and the cost of placing order each time is 100.

You are required to calculate:

- (i) Economic Order Quantity;
- (ii) Reorder Level; and
- (iii) Maximum and Minimum Inventory Level, if the company operates 320 days in a year, material procurement time is 10 days, and safety stock is 20 units. Assume minimum consumption rate per day = average consumption rate per day.

Question 16 (June 2025)

From the following information, calculate the amount of Net Working Capital for P Ltd.

Amount blocked up for stock:	Figures for the year
Stock of finished product	3,00,000
Stock of stores, materials, etc.	5,00,000
Average credit given:	
Inland sales - 4 weeks credit	2,60,00,000
Export sales - 1.5 weeks credit	65,00,000
Lag in payment of wages and other inputs:	
Wages - 1.5 weeks	24,00,000
Stock of materials, etc. - 1.5 months	3,60,000
Rent, Royalties, etc. - 6 months	80,000
Clerical staff - 1.5 months	6,00,000
Manager - ½ month	4,00,000
Miscellaneous expenses - 1.5 months	3,60,000
Payment in advance:	
Sundry Expenses (paid quarterly in advance)	6,00,000

Question 17 (June 2025)

H. Ltd. has a present annual sales level of 20000 units at 300 per unit. The variable cost is 200 per unit and the fixed costs amount to 6,00,000 per annum. The present credit allowed by the company is one month. The company is considering a proposal to increase the credit period to two months and three months and has made the following estimates:



Credit policy	Existing	Proposed	
	1 month	2 months	3 months
Increase in sales	---	15%	30%
Bad debts	1%	3%	5%

There will be increase in fixed cost by 1,00,000 on account of increase in sales beyond 15 per cent of present level. The company plans on a pre-tax return of 20 per cent on investment in receivables.

Analyse the proposed policies and identify the proposal to be selected.

Question 18 (December 2017)

Jai & Karti are regular customers of MJK Ltd. Kolkata and have approached the sellers for extension of credit facility for enabling them to purchase goods from MJK Ltd. On the analysis of past performance and on the basis of information supplied, the following pattern of payment schedule emerges in regard to Jai & Karti:

Schedule	Pattern
At the end of 30 days	15% of the bill
60 days	34% of the bill
90 days	30% of the bill
100 days	20% of the bill
Non-recovery	1% of the bill

Jai & Karti wants to enter into a firm commitment for purchase of goods of ₹ 15,00,000 in 2016, deliveries to be made in equal quantities on the first day of each quarter in the calendar year. The price per unit of the commodity is ₹ 150 on which a profit of ₹ 5 per unit is expected to be made. It is anticipated by the MJK Ltd. that taking up of this contract would mean an extra recurring expenditure to ₹ 5,000 per annum. If the opportunity cost of funds in the hands of MJK Ltd. is 24% per annum, would you as a Management Accountant of the seller recommend the grant of credit to Jai & Karti? Working should form part of your answer.

Question 19 (December 2019)

BENTECH (I) LTD. is presently having credit sales of ₹12 lakh. The existing credit terms are 1/10, net 45 days and average collection period is 30 days. The current bad debts loss is 1.5%. In order to accelerate the collection process further as also to increase sales, the company is contemplating liberalization of its existing credit terms to 2/10, net 45 day s. It is expected that sales are likely to increase by 1/3 of existing sales, bad debts increase to 2% of sales and average collection period to decline to 20 days. The contribution to sales ratio of the company is 22% and opportunity cost of investment in receivables is 15 per cent (pre-tax). 50 per cent and 80 per cent of customers in terms of sales revenue are expected to avail cash discount under existing and liberalization scheme respectively. The tax rate is 30%.



(Assume 360 days in a year).

Required:

Should the company change its credit terms?