



J.K. SHAH[®]
TEST SERIES
Evaluate Learn Succeed

SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- F.M.

Test Code – CIM 8601

BRANCH - () (Date :)

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ANSWER -1

- (a) In case of customer A, there is no increase in sales even if the credit is given. Hence comparative statement for B & C is given below :

| Particulars | Customer B | | | | Customer C | | | |
|--|--------------|-------|-------|-------|--------------|----|-------|-------|
| | 0 | 30 | 60 | 90 | 0 | 30 | 60 | 90 |
| 1. Credit period (days) | 0 | 30 | 60 | 90 | 0 | 30 | 60 | 90 |
| 2. Sale Units | 1,000 | 1,500 | 2,000 | 2,500 | - | - | 1,000 | 1,500 |
| | Rs. In lakhs | | | | Rs. In lakhs | | | |
| 3. Sales Value | 90 | 135 | 180 | 225 | - | - | 90 | 135 |
| 4. Contribution at 20% (A) | 18 | 27 | 36 | 45 | - | - | 18 | 27 |
| 5. Receivables $\frac{\text{Credit Period} \times \text{Sales}}{360}$ | - | 11.25 | 30 | 56.25 | - | - | 15 | 33.75 |
| 6. Debtors at cost i.e. 80% of 11.25 | - | 9 | 24 | 45 | - | - | 12 | 27 |
| 7. Cost of carrying debtors at 20% (B) | - | 1.8 | 4.8 | 9 | - | - | 2.4 | 5.4 |
| 8. Excess of contribution over cost of carrying debtors (A – B) | 18 | 25.2 | 31.2 | 36 | - | - | 15.6 | 21.6 |

The excess of contribution over cost of carrying Debtors is highest in case of credit period of 90days in respect of both the customers B and C. Hence, credit period of 90 days should be allowed to B and C.

(9 MARKS)

(b) Problem :

- (i) Customer A is taking 1000 TV sets whether credit is given or not. Customer C is taking 1000 TV sets at credit for 60 days. Hence A also may demand credit for 60 days compulsorily.
- (ii) B will take 2500 TV sets at credit for 90 days whereas C would lift 1500 sets only. In such case B will demand further relaxation in credit period i.e. B may ask for 120 days credit.

(1 MARK)

ANSWER -2**Statement showing Estimate of Working Capital Needs**

| | (Amt. In Rs.) | (Amt. In Rs.) |
|--|------------------|------------------|
| A. Current Assets | | |
| (i) Inventories : | | |
| Raw material (1 month or 4 weeks) | 10,00,000 | |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 100}{52 \text{ weeks}} \times 4 \text{ weeks}\right)$ | | |
| WIP Inventory (1 week) | 4,25,000 | |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 212.50}{52 \text{ weeks}} \times 1 \text{ week}\right) \times 0.8$ | | |
| Finished goods inventory (2 weeks) | 10,62,500 | 24,87,500 |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 212.50}{52 \text{ weeks}} \times 2 \text{ weeks}\right)$ | | |
| (ii) Receivable (Debtors) (4 weeks) | | 17,00,000 |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 212.50}{52 \text{ weeks}} \times 4 \text{ weeks}\right) \times \frac{4}{5^{\text{th}}}$ | | |
| (iii) Cash and bank balance | | 37,500 |
| Total Current Assets | | 42,25,000 |
| B. Current Liabilities : | | |
| (i) Payables (Creditors) for materials (3 weeks) | | 7,50,000 |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 100}{52 \text{ weeks}} \times 3 \text{ weeks}\right)$ | | |
| (ii) Outstanding wages (1 week) | | 93,750 |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 37.50}{52 \text{ weeks}} \times 1 \text{ week}\right)$ | | |
| (iii) Outstanding overheads (2 weeks) | | 3,75,000 |
| $\left(\frac{1,30,000 \text{ units} \times \text{Rs. } 75}{52 \text{ weeks}} \times 2 \text{ weeks}\right)$ | | |
| Total Current Liabilities | | 12,18,750 |
| Net Working Capital Needs (A – B) | | 30,06,250 |

(10 MARKS)