



**SUGGESTED SOLUTION**  
**INTERMEDIATE M'19 EXAM**

**SUBJECT- COSTING AND F.M.**

**Test Code - CIM 8019**

**Date: 12.08.2018**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

**ANSWER-1**

Operating cost statement of 'RP' Resort (P) Limited

| Particulars                          | Cost per annum<br>(Rs. in lakhs) |
|--------------------------------------|----------------------------------|
| Staff Salaries                       | 680.00                           |
| Room Attendant's Wages (refer W.N-3) | 286.20                           |
| Lighting, Heating & Power            | 300.00                           |
| Repairs, Maintenance & Renovation    | 180.00                           |
| Linen                                | 30.00                            |
| Laundry charges                      | 24.00                            |
| Interior Decoration                  | 75.00                            |
| Sundries                             | 30.28                            |
| Depreciation (refer W.N- 4):         |                                  |
| - Building                           | 45.00                            |
| - Furniture & Fixture                | 9.00                             |
| - Air Conditioners                   | 7.50                             |
| Total cost for the year              | 1,666.98                         |

**(4 Marks)****Computation of profit:**

Let Rs. x be the rent for deluxe from.

Equivalent deluxe room days are 90,720 (refer W.N- 2)

Total takings = Rs. 90,720x

Profit is 25% of total takings.

Profit = 25% of Rs. 90,720x = Rs. 22,680x

Total takings = Total Cost + Profit

Rs. 90,720x = Rs.16,66,98,000 + Rs.22,680x

Rs. 90,720x - Rs.22,680x = Rs.16,66,98,000

Rs. 68,040x = Rs.16,66,98,000

$$X = \frac{\text{Rs. } 166698000}{\text{Rs. } 68040}$$

$$= \text{Rs. } 2450$$

(2 Marks)

|   |           |
|---|-----------|
| Rent to be charged for Deluxe room  | Rs. 2,450 |
| Rent to be charged for Super deluxe room = Rent of deluxe room $\times$ 2 = Rs. 2,450 $\times$ 2      | Rs. 4,900 |
| Rent to be charged for Luxury suite = Rent of Super Deluxe room $\times$ 1.5 = Rs. 4,900 $\times$ 1.5 | Rs. 7,350 |

### Working Notes:

#### 1. Computation of Room Occupancy

| Type of Room      | No. of rooms x no. of days x occupancy % | Room days |
|-------------------|--|-----------|
| Deluxe Room       | 100 rooms x 360 days x 90% occupancy     | 32,400    |
| Super Deluxe Room | 60 rooms x 360 days x 75% occupancy      | 16,200    |
| Luxury Suite      | 40 x 360 days x 60% occupancy            | 8,640     |
|                   | Total                                    | 57,240    |

#### 2. Computation of equivalent deluxe room days:

Rent of 'super deluxe' room is to be fixed at 2 times of 'deluxe room' and luxury suite' is 3 times of 'deluxe room'. Therefore equivalent room days would be:

| Type of Room      | Room days  | Equivalent deluxe room days |
|-------------------|------------|-----------------------------|
| Deluxe Room       | 32,400 x 1 | 32,400                      |
| Super Deluxe Room | 16,200 x 2 | 32,400                      |
| Luxury Suite      | 8,640 x 3  | 25,920                      |
|                   | Total      | 90,720                      |

#### 3. Computation of room attendant's wages:

Room occupancy days  $\times$  Rs. 500 per day

$$= 57,240 \text{ days} \times \text{Rs. } 500 = \text{Rs. } 286.20 \text{ lakhs}$$

4. **Computation of Depreciation per annum:**

| Particulars          | Cost (Rs.) | Rate of Depreciation | Depreciation (Rs.) |
|----------------------|------------|----------------------|--------------------|
| Building             | 900,00,000 | 5%                   | 45,00,000          |
| Furniture & Fixtures | 90,00,000  | 10%                  | 9,00,000           |
| Air Conditioners     | 75,00,000  | 10%                  | 7,50,000           |

(1\*4= 4 Marks)

**ANSWER-2**

**ANSWER-A**

(i) Calculation of Economic Order Quantity:

$$\text{EOQ} = \sqrt{\frac{2 \times A \times O}{C}}$$

$$= \sqrt{\frac{2 \times (60,000 \text{ Packs} \times 12 \text{ months}) \times \text{Rs. } 240}{\text{Rs. } 228 \times 10\%}}$$

$$= 3,893.3 \text{ packs or } 3,893 \text{ packs}$$

(1 Mark)

(ii) Number of orders per year

$$\frac{\text{Annual requirements}}{\text{E.O.Q}}$$

$$= \frac{7,20,000 \text{ packs}}{3,893 \text{ packs}}$$

$$= 184.9 \text{ or } 185 \text{ orders a year}$$

(1 Mark)

(iii) Ordering and storage costs

|   | (Rs.)            |
|---|------------------|
| Ordering costs :- 185 orders × Rs. 240          | 44,400.00        |
| Storage cost :- ½ (3,893 packs × 10% of Rs.228) | <u>44,380.20</u> |
| Total cost of ordering & storage                | <u>88,780.20</u> |

(iv) Timing of next order

(a) Day's requirement served by each order.

$$\begin{aligned}\text{Number of days requirements supply} &= \frac{\text{No. of working days}}{\text{No. of order in a year}} \\ &= \frac{360 \text{ days}}{185 \text{ orders}} \\ &= 1.94 \text{ days}\end{aligned}$$

This implies that each order of 3,893 packs supplies for requirements of 1.94 days only.

(b) Days requirement covered by inventory

$$\begin{aligned}&= \frac{\text{Units in inventory}}{\text{EOQ}} \times (\text{Day's requirement served by an order}) \\ &= \frac{10033 \text{ Packs}}{3893 \text{ Packs}} \times 1.94 \text{ days} \\ &= 5 \text{ days requirement}\end{aligned}$$

(c) Time interval for placing next order

Inventory left for day's requirement – Average lead time of delivery

$$5 \text{ days} - 5 \text{ days} = 0 \text{ days}$$

This means that next order for the replenishment of supplies has to be placed immediately.

(2 Marks)

### ANSWER-B

(i) **Minimum stock of A**

Re-order level – (Average rate of consumption × Average time required to obtain fresh delivery)

$$= 8,000 - (200 \times 10 \times 2) = 4,000 \text{ kgs.} \quad (1 \text{ Marks})$$

(ii) **Maximum stock of B**

Re-order level + Re-order quantity – (Minimum consumption × Minimum delivery period)

$$\begin{aligned}&= 4,750 + 5,000 - (175 \times 4 \times 3) \\ &= 9,750 - 2,100 = 7,650 \text{ kgs.} \quad (1 \text{ Marks})\end{aligned}$$

(iii) **Re-order level of C**

Maximum delivery period × Maximum usage

$$= 4 \times 225 \times 6 = 5,400 \text{ kgs.}$$

OR

**Re-order level of C**

= Minimum stock of C + [Average rate of consumption × Average time  
required to obtain fresh delivery]

$$= 2,000 + [(200 \times 6) \times 3] \text{ kgs.}$$

$$= 5,600 \text{ kgs.}$$

**(1 Marks)**

**(iv) Average stock level of A**

= Minimum stock level of A +  $\frac{1}{2}$  Re-order quantity of A

$$= 4,000 + \frac{1}{2} \times 10,000 = 4,000 + 5,000 = 9,000 \text{ kgs.}$$

OR

Average Stock level of A

Minimum stock level of A + Maximum stock level of A (Refer to working note)

2

$$\frac{4,000 + 16,250}{2} = 10,125 \text{ kgs.}$$

**(1 Marks)**

2

**Working note:**

Maximum stock of A = ROL + ROQ – (Minimum consumption × Minimum  
re-order period)

$$= 8,000 + 10,000 - [(175 \times 10) \times 1]$$

$$= 16,250 \text{ kgs.}$$

**(1 Marks)**

**ANSWER-3****Monthly Cash Budget (January-June)****(4 Marks)***(Rs. in lakhs)*

|                                    |        | <i>Jan.</i>   | <i>Feb.</i>  | <i>March</i> | <i>April</i> | <i>May</i>   | <i>June</i>  | <i>Total</i>  |
|------------------------------------|--------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Opening cash balance               |        | -             | 21.00        | -            | 2.75         | 10.50        | 14.50        | -             |
| <b>A. Cash inflows</b>             |        |               |              |              |              |              |              |               |
| Equity shares                      |        | 100.00        | -            | -            | -            | -            | -            | 100.00        |
| Loans                              |        | 13            | 2.50         | -            | -            | -            | -            | 15.50         |
| <i>(Refer to working note 1)</i>   |        |               |              |              |              |              |              |               |
| Receipt from debtors               |        | _____ -       | _____ -      | <u>30.00</u> | <u>35.00</u> | <u>35.00</u> | <u>40.00</u> | <u>140.00</u> |
| Total (A)                          |        | <u>113.00</u> | <u>23.50</u> | <u>30.00</u> | <u>37.75</u> | <u>45.50</u> | <u>54.50</u> | <u>255.50</u> |
| <b>B. Cash Outflows</b>            |        |               |              |              |              |              |              |               |
| Plant and Machinery                |        | 20.00         | -            | -            | -            | -            | -            | 20.00         |
| Land and Building                  |        | 40.00         | -            | -            | -            | -            | -            | 40.00         |
| Furniture                          |        | 10.00         | -            | -            | -            | -            | -            | 10.00         |
| Motor Vehicles                     |        | 10.00         | -            | -            | -            | -            | -            | 10.00         |
| Stock of raw materials             |        | 10.00         | -            | -            | -            | -            | -            | 10.00         |
| <i>(minimum stock)</i>             |        |               |              |              |              |              |              |               |
| Preliminary expenses               |        | 1.00          | -            | -            | -            | -            | -            | 1.00          |
| Payment to creditors for purchases | credit | -             | 20.50        | 24.25        | 24.25        | 28.00        | 28.00        | 125.00        |
| <i>(Refer to working note 2)</i>   |        |               |              |              |              |              |              |               |
| Wages and salaries                 |        | -             | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 10.00         |
| Admn. expenses                     |        | <u>1.00</u>   | <u>1.00</u>  | <u>1.00</u>  | <u>1.00</u>  | <u>1.00</u>  | <u>1.00</u>  | <u>6.00</u>   |
| Total :(B)                         |        | <u>92.00</u>  | <u>23.50</u> | <u>27.25</u> | <u>27.25</u> | <u>31.00</u> | <u>31.00</u> | <u>232.00</u> |
| Closing balance (A)-(B)            |        | <u>21.00</u>  | _____ -      | <u>2.75</u>  | <u>10.50</u> | <u>14.50</u> | <u>23.50</u> | <u>23.50</u>  |

### Budgeted Income Statement for the six-month period ending 30<sup>th</sup> June

(Rs. In lakhs)

| Particulars  | Rs.           | Particulars         | Rs.             |
|--|---------------|---------------------|-----------------|
| To Purchases   | 166.75        | By Sales            | 225.00          |
| To Wages and Salaries                                    | 12.00         | By Closing stock    | 10.00           |
| To Gross profit c/d                                      | <u>56.25</u>  |                     | <u>        </u> |
|  | <u>235.00</u> |                     | <u>235.00</u>   |
| To Admn. expenses  | 6.00          | By Gross profit b/d | 56.25           |
| To Depreciation<br>(10% on Rs. 80 lakhs for six months)  | 4.00          |                     |                 |
| To Accrued interest on loan<br>(Refer to working note 3) | 0.905         |                     |                 |
| To Net profit c/d  | <u>45.345</u> |                     |                 |
|  | <u>56.25</u>  |                     | 56.25           |

(3 Marks)

### Projected Balance Sheet as on 30<sup>th</sup> June, 2015

(Rs. In Lakhs)

| Liabilities  | Amt.          | Assets  | Amt.  | Amt.          |
|--|---------------|---|-------|---------------|
| <b>Share capital :</b>   |               | <b>Fixed Assets :</b>                                     |       |               |
| Authorised Capital 20,00,000 equity shares of 10 each                    | 200.00        | Land and Building   | 40.00 |               |
| Issued, subscribed and paid up capital 10,00,000 equity share of 10 each | 100.00        | Less : Depreciation                                       | 2.00  | 38.00         |
|  |               | Plant and Machinery                                       | 20.00 |               |
| <b>Reserve and Surplus</b>   |               | Less : Depreciation                                       | 1.00  | 19.00         |
| Profit and Loss  | 45.345        | Furniture   | 10.00 |               |
| Long term loans  | 15.50         | Less : Depreciation                                       | 0.50  | 9.50          |
|  |               | Motor Vehicles  | 10.00 |               |
| <b>Current liabilities &amp; provisions:</b>                             |               | Less : Depreciation                                       | 0.50  | 9.50          |
| Sundry Creditors   | 31.75         | <b>Current Assets :</b>                                   |       |               |
| Accrued interest   | 0.905         | Stock   | 10.00 |               |
| Outstanding expenses   | <u>2.00</u>   | Sundry debtors  | 85.00 |               |
|  | 34.655        | Cash  | 23.50 | 118.50        |
|  |               | Miscellaneous expenditure to the extent not written off : |       |               |
|  |               | Preliminary expenses                                      |       | 1.00          |
|  | <b>195.50</b> |   |       | <b>195.50</b> |



**Working Notes:**

## 1. Subsequent Borrowings Needed (Rs. in lakhs)

|                          |               |                |              |              |              |              |
|--------------------------|---------------|----------------|--------------|--------------|--------------|--------------|
| <b>A. Cash Inflow</b>    |               |                |              |              |              |              |
| Equity shares            | 100.00        |                |              |              |              |              |
| Loans                    | 13.00         |                |              |              |              |              |
| Receipt from debtors     | _____ -       | _____ -        | <u>30.00</u> | <u>35.00</u> | <u>35.00</u> | <u>40.00</u> |
| Total (A)                | <u>113.00</u> | _____ -        | <u>30.00</u> | <u>35.00</u> | <u>35.00</u> | <u>40.00</u> |
| <b>B. Cash Outflow</b>   |               |                |              |              |              |              |
| Purchase of fixed assets | <u>80.00</u>  |                |              |              |              |              |
| Stock                    | <u>10.00</u>  |                |              |              |              |              |
| Preliminary expenses     | <u>1.00</u>   |                |              |              |              |              |
| Payment to creditors     | -             | <u>20.50</u>   | <u>24.25</u> | <u>24.25</u> | <u>28.00</u> | <u>28.00</u> |
| Wages and salaries       | -             | <u>2.00</u>    | <u>2.00</u>  | <u>2.00</u>  | <u>2.00</u>  | <u>2.00</u>  |
| Administrative expenses  | <u>1.00</u>   | <u>1.00</u>    | <u>1.00</u>  | <u>1.00</u>  | <u>1.00</u>  | <u>1.00</u>  |
| Total                    | <u>92.00</u>  | <u>23.50</u>   | <u>27.25</u> | <u>27.25</u> | <u>31.00</u> | <u>31.00</u> |
| Surplus/ (Deficit)       | <u>21.00</u>  | <u>(23.50)</u> | <u>2.75</u>  | <u>7.75</u>  | <u>4.00</u>  | <u>9.00</u>  |
| Cumulative balance       | <u>21.00</u>  | <u>(2.50)</u>  | <u>0.25</u>  | <u>8.00</u>  | <u>12.00</u> | <u>21.00</u> |

1. There is shortage of cash in February of Rs. 25 lakhs which will be met by borrowings on February
2. Payment to Creditors

Purchases = Cost of goods sold - Wages and salaries

Purchases for January = (75% of 30 lakhs) - Rs. 2 = Rs. 20.50 lakhs.

**(Note:** Since gross margin is 25% of sales, cost of manufacture i.e. materials plus wages and salaries should be 75% of sales)

Hence, Purchases = Cost of manufacture minus wages and salaries of Rs. 2 lakhs) The creditors are paid in the first month following purchases.

Therefore, payment in February is Rs. 20.50 lakhs

The same procedure will be followed for other months.

Total purchases = Rs. 125 lakhs (for Jan-May) + Rs. 31.75 lakhs (for June) + Rs. 10 lakhs (stock)= Rs. 166.75 lakhs

3. *Accrued Interest on Loan*

12% interest on Rs. 13 lakhs for 6 months 0.78 lakhs

Add: 12% interest on Rs. 2.5 lakhs for 5 months 0.125 lakhs

0.905 lakhs

**ANSWER-4**

Working Notes:

1. The material received as replacement from vendor is treated as fresh supply.
2. In the absence of information the price of the material received from within on 20-9-X1 has been taken as the price of the earlier issue made on 17-9- X1. In FIFO method physical flow of the material is irrelevant for pricing the issues.
3. The issue of material on 26-9-X1 is made out of the material received from within.
4. The entries for transfer of material from one job and department to other on 22-9-X1 and 29-9-X1 are book entries for adjusting the cost of respective jobs and as such they have not been shown in the stores ledger account.
5. The material found short as a result of stock taking has been written off. **(3 Marks)**

**Stores Ledger of AT Ltd. for the month of September, 20X1 (FIFO Method)**

| Date    | Receipt |       |       |        |          |             | Issue            |       |              | Balance          |        |
|---------|---------|-------|-------|--------|----------|-------------|------------------|-------|--------------|------------------|--------|
|         | GRN No. | Qty.  | Rate  | Amt.   | Requisi  | Qty.        | Rate             | Amt.  | Qty.         | Rate             | Amt.   |
|         | MRP No. | Units | (Rs.) | (Rs.)  | Tion No. | Units.      | (Rs.)            | Rs.   | Units        | (Rs.)            | (Rs.)  |
| 1       | 2       | 3     | 4     | 5      | 6        | 7           | 8                | 9     | 10           | 11               | 12     |
| 1-9-X1  | -       | -     | -     | -      | -        | -           | -                | -     | 25           | 6.50             | 162.50 |
| 4-9-X1  | -       | -     | -     | -      | 85       | 8           | 6.50             | 52    | 17           | 6.50             | 110.50 |
| 6-9-X1  | 26      | 50    | 5.75  | 287.50 | -        | -           | -                | -     | 17 }<br>50 } | 6.50 }<br>5.75 } | 398.00 |
| 7-9-X1  | -       | -     | -     | -      | 97       | 12          | 6.50             | 78    | 5 }<br>50 }  | 6.50 }<br>5.75 } | 320.00 |
| 10-9-X1 | -       | -     | -     | -      | Nil      | 10          | 5.75             | 57.50 | 5 }<br>40 }  | 6.50 }<br>5.75 } | 262.00 |
| 12-9-X1 | -       | -     | -     | -      | 108      | 5 }<br>10 } | 6.50 }<br>5.75 } | 90    | 30           | 5.75             | 172.5  |
| 13-9-X1 | -       | -     | -     | -      | 110      | 20          | 5.75             | 115   | 10           | 5.75             | 57.5   |

|         |    |    |      |        |          |            |                  |       |                     |                            |        |
|---------|----|----|------|--------|----------|------------|------------------|-------|---------------------|----------------------------|--------|
| 15-9-X1 | 33 | 25 | 6.10 | 152.50 | -        | -          | -                | -     | 10 }<br>25 }        | 5.75 }<br>6.10 }           | 210.00 |
| 17-9-X1 |    |    |      |        | 121      | 10         | 5.75             | 57.5  | 25                  | 6.10                       | 152.5  |
| 19-9-X1 | 38 | 10 | 5.75 | 57.5   | -        | -          | -                | -     | 25 }<br>10 }<br>5 } | 6.10 }<br>5.75 }<br>5.75 } | 210    |
| 20-9-X1 | 4  | 5  | 5.75 | 28.75  | -        | -          | -                | -     | 25 }<br>10 }        | 6.10 }<br>7.75 }           | 258.75 |
| 26-9-X1 | -  | -  | -    | -      | 146      | 5 }<br>5 } | 5.75 }<br>6.10 } | 59.25 | 20 }<br>10 }        | 6.10 }<br>5.75 }           | 179.50 |
| 30-9-X1 | -  | -  | -    | -      | Shortage | 2          | 6.10             | 12.20 | 18 }<br>10 }        | 6.10 }<br>5.75 }           | 167.3  |

(7 Marks)

### ANSWER-5

Working Notes:

Total Distance (in km.) covered per month

(1 Marks)

| Bus route           | Km. per trip | Trips per day | Days per month | Km. per month |
|---------------------|--------------|---------------|----------------|---------------|
| Delhi to Chandigarh | 250          | 2             | 8              | 4,000         |
| Delhi to Agra       | 210          | 2             | 10             | 4,200         |
| Delhi to Jaipur     | 270          | 2             | 6              | 3,240         |
|                     |              |               |                | 11,440        |

**Passenger- km. per month**

**(3 Marks)**

|                            | Total seats available per month (at 100% capacity) | Capacity utilised |       | Km. per trip | Passenger- Km. per month          |
|----------------------------|--|-------------------|-------|--------------|-----------------------------------|
|                            |  | (%)               | Seats |              |                                   |
| Delhi to Chandigarh & Back | 800<br>(50 seats × 2 trips × 8 days)               | 90                | 720   | 250          | 1,80,000<br>(720 seats × 250 km.) |
| Delhi to Agra and Back     | 1,000<br>(50 seats × 2 trips × 10 days)            | 85                | 850   | 210          | 1,78,500<br>(850 seats × 210 km.) |
| Delhi to Jaipur and Back   | 600<br>(50 seats × 2 trips × 6 days)               | 100               | 600   | 270          | 1,62,000<br>(600 seats × 270 km.) |
| <b>Total</b>               |  |                   |       |              | <b>5,20,500</b>                   |

**Monthly Operating Cost Statement**

**(4 Marks)**

|  | (Rs.)    | (Rs.)    |
|--|----------|----------|
| <b>(i) Running Costs</b>   |          |          |
| - Diesel $\{(11,440 \text{ km} \div 4 \text{ km}) \times \text{Rs. } 56\}$ | 1,60,160 |          |
| - Lubricant oil $\{(11,440 \text{ km} \div 100) \times \text{Rs. } 10\}$   | 1,144    | 1,61,304 |
| <b>(ii) Maintenance Costs</b>  |          |          |
| - Repairs & Maintenance  |          | 1,000    |
| <b>(iii) Standing charges</b>  |          |          |
| - Salary to driver   | 24,000   |          |
| - Salary to conductor  | 21,000   |          |
| - Salary of part-time accountant   | 5,000    |          |
| - Insurance (Rs. 4,800 ÷ 12)   | 400      |          |
| - Road tax (Rs. 15,915 ÷ 12)   | 1,326.25 |          |
| - Permit fee   | 315      |          |

|   |        |             |
|---|--------|-------------|
| - Depreciation {(Rs. 12,00,000 × 20%) ÷ 12}               | 20,000 | 72,041.25   |
| Total costs per month before Passenger Tax (i)+(ii)+(iii) |        | 2,34,345.25 |
| Passenger Tax*  |        | 93,738.10   |
| Total Cost  |        | 3,28,083.35 |
| Add: Profit*  |        | 1,40,607.15 |
| Total takings per month                                   |        | 4,68,690.50 |

\*Let, total takings be X  
then

$$X = \text{Total costs per month before passenger tax} + 0.2 X (\text{passenger tax}) + 0.3 X (\text{profit})$$

$$X = \text{Rs. } 2,34,345.25 + 0.2 X + 0.3 X$$

$$0.5 X = \text{Rs. } 2,34,345.25$$

$$\text{or, } X = \text{Rs. } 4,68,690.50$$

$$\text{Passenger Tax} = 20\% \text{ of Rs. } 4,68,690.50 = \text{Rs. } 93,738.10$$

$$\text{Profit} = 30\% \text{ of Rs. } 4,68,690.50 = \text{Rs. } 1,40,607.15$$

Calculation of Rate per passenger km. and fares to be charged for different routes

$$\text{Rate per passenger -km} = \frac{\text{Total takings per month}}{\text{Total passenger-km.per month}} \quad \text{(1 Marks)}$$

$$= \frac{\text{Rs. } 468690.50}{520500 \text{ passenger - km}} = \text{Rs. } 0.90$$

Bus fare to be charged per passenger (1 Marks)

$$\text{Delhi to Chandigarh} = \text{Rs. } 0.9 \times 250 \text{ km} = \text{Rs. } 225$$

$$\text{Delhi to Agra} = \text{Rs. } 0.9 \times 210 \text{ km} = \text{Rs. } 189$$

$$\text{Delhi to Jaipur} = \text{Rs. } 0.9 \times 270 \text{ km} = \text{Rs. } 243$$

**ANSWER-6****Preparation of Monthly Cash Budget****(5 Marks)****Cash Budget for four months from June, 2014 to September, 2014**

| <i>Particulars</i>      | <i>June</i><br>(Rs.) | <i>July</i><br>(Rs.) | <i>August</i><br>(Rs.) | <i>September</i><br>(Rs.) |
|-------------------------|----------------------|----------------------|------------------------|---------------------------|
| Opening Balance         | 45,000               | 45,500               | 45,500                 | 45,000                    |
| <b>Receipts:</b>        |                      |                      |                        |                           |
| Cash Sales              | 1,00,000             | 98,000               | 1,08,000               | 1,22,000                  |
| Collection from debtors | 3,48,000             | 3,80,000             | 3,96,000               | 4,12,000                  |
| Dividends               | <u>25,000</u>        | _____ -              | _____ -                | _____ -                   |
| <b>Total (A)</b>        | <u>5,18,000</u>      | <u>5,23,500</u>      | <u>5,49,500</u>        | <u>5,79,000</u>           |
| <b>Payments:</b>        |                      |                      |                        |                           |
| Creditors for Materials | 2,00,000             | 2,10,000             | 2,60,000               | 2,82,000                  |
| Wages                   | 1,62,500             | 1,65,000             | 1,65,000               | 1,67,500                  |
| Overheads               | 40,000               | 38,000               | 37,500                 | 60,800                    |
| Installment for Machine | -                    | 20,000               | 20,000                 | 20,000                    |
| Interest on Debentures  | 30,000               | -                    | -                      | -                         |
| Advance Tax             | _____ -              | _____ -              | <u>15,000</u>          | _____ -                   |
| <b>Total (B)</b>        | <u>4,32,500</u>      | <u>4,33,000</u>      | <u>4,97,500</u>        | <u>5,30,300</u>           |
| Surplus (A – B)         | 85,500               | 90,500               | 52,000                 | 48,700                    |
| Fixed Deposits          | <u>40,000</u>        | <u>45,000</u>        | <u>7,000</u>           | <u>3,000</u>              |
| Closing Balance         | <u>45,500</u>        | <u>45,500</u>        | <u>45,000</u>          | <u>45,700</u>             |

**Working Notes:****(1) Cash Sales and Collection from Debtors:****(5 Marks)**

| Month       | Total Sales<br>(Rs.) | Cash Sales<br>(Rs.) | Credit Sales<br>(Rs.) | Collection from Debtors |                 |                 |                 |
|-------------|----------------------|---------------------|-----------------------|-------------------------|-----------------|-----------------|-----------------|
|             |                      |                     |                       | June<br>(Rs.)           | July<br>(Rs.)   | Aug.<br>(Rs.)   | Sept.<br>(Rs.)  |
| April, 2010 | 4,20,000             | 84,000              | 3,36,000              | 1,68,000                | -               | -               | -               |
| May, 2010   | 4,50,000             | 90,000              | 3,60,000              | 1,80,000                | 1,80,000        | -               | -               |
| June, 2010  | 5,00,000             | 1,00,000            | 4,00,000              | -                       | 2,00,000        | 2,00,000        | -               |
| July, 2010  | 4,90,000             | 98,000              | 3,92,000              | -                       | -               | 1,96,000        | 1,96,000        |
| Aug., 2010  | 5,40,000             | 1,08,000            | 4,32,000              | -                       | -               | -               | 2,16,000        |
| Sept., 2010 | 6,10,000             | 1,22,000            | 4,88,000              | _____ -                 | _____ -         | _____ -         | _____ -         |
|             |                      |                     | Total                 | <u>3,48,000</u>         | <u>3,80,000</u> | <u>3,96,000</u> | <u>4,12,000</u> |

**Payment of Wages**

June = 80,000 + 82,500 = 1,62,500;

July = 82,500 + 82,500 = 1,65,000;

Aug. = 82,500 + 82,500 = 1,65,000; and

Sept. = 82,500 + 85,000 = 1,67,500.

**(Note:** It has been assumed that the company wants to keep minimum cash balance of Rs. 45,000.)