**IMC CHAMBER OF COMMERCE AND INDUSTRY**

**ADVANCED CERTIFICATE IN LOGISTICS AND SUPPLY CHAIN EXAMINATION**

**JUNE 2024**

**SUBJECT: BUSINESS FINANCE AND INVENTORY MANAGEMENT**

**DATE: 9.06.2024 MARKS: 100 TIME: 10:30 A.M. - 1:30 P.M.**

**NOTES:**

* **Correct question number should be indicated against each answer.**

**Part – I - Business Finance (Total Marks – 50)**

**(10 Questions are there and each Question carries 2 marks) – Total 20 marks.**

1. The Current Ratio of an entity is 1.30:1. Net Working Capital is Rs. 60 lakhs. Calculate the value of the Current Assets.
2. Rs. 260 lakhs
3. Rs. 200 lakhs
4. Rs. 230 lakhs.
5. Rs. 210 lakhs
6. A manufacturing entity has sold its Plant and Machinery to X & Co for Rs. 60,000/-. X & Co has sent a remittance crediting the account of the manufacturing entity immediately. The Book value of the Plant and Machinery is Rs. 80,000. Pass the suitable journal for this transaction in the books of the manufacturing entity.
7. Debit Plant & Machinery Rs. 80,000/- and Credit X & Co for Rs. 60,000/- and Credit Profit on Sale of Machinery Rs. 20,000/-
8. Debit Bank Account for Rs. 60,000/-, Debit Loss on Sale of Machinery Rs. 20,000 and Credit Plant & Machinery Rs. 80,000/-.
9. Debit Plant & Machinery Rs. 80,000/- and Credit X & Co for Rs. 80,000/-
10. Debit X & Co for Rs. 80,000/- and Credit Plant & Machinery Rs. 80,000/-
11. A Manufacturing Unit wants to achieve a targeted profit of Rs. 2 lakhs. The Selling Price of its product is Rs. 100 and the Variable cost per unit is Rs 80. The fixed costs are Rs. 6 lakhs. From these inputs indicate at what point of sales (in rupees), the entity can achieve the targeted profit?
12. Rs. 45 lakhs.
13. Rs. 43 lakhs.
14. Rs. 46 lakhs
15. Rs. 40 lakhs.
16. A firm withdrawn Rs. 60,000/- from its Bank Account. Pass suitable journal entry in the books of the firm.
17. Debit Cash Account Rs. 60,000/- and Credit Bank Account Rs. 60,000/-
18. Debit Cash Account Rs. 60,000/- and Credit Cash Account Rs. 60,000/-.
19. Debit Bank Cashier’s Account Rs. 60,000/- and Credit Cash Account Rs. 60,000/-
20. Debit Bank Account Rs. 60,000/- and Credit Cash Account Rs. 60,000/-
21. In the break-even point (BEP) analysis chart (graph), at what place the fixed cost curve will cut the Total Revenue Curve?
22. At Break-even point
23. Below the Break-even point
24. Above the Break-even point
25. It will never cut.
26. In the below mentioned choices, which one of the alternatives reflects the correct principles of accounting?
27. Debit what comes in and credit what goes out and debit the receiver and credit the giver.
28. Debit what goes out and credit what comes in and debit the receiver and credit the giver.
29. Debit what comes in and credit what goes out and debit the giver and credit the receiver.
30. Debit what comes in and credit the receiver and debit what goes out and credit the giver.
31. From the financial statement of a manufacturing concern, calculate the P.V. Ratio of the entity.

* Selling price of its product: Rs. 200 per unit.
* Variable Cost : Rs. 120 per unit.
* Fixed Cost : Rs. 6 lakhs.

1. 60%
2. 40%
3. 50%
4. 30%
5. From the financial statement of a manufacturing concern, calculate the Break-even point in number of units.

* Selling price of its product: Rs. 200 per unit.
* Variable Cost : Rs. 120 per unit.
* Fixed Cost : Rs. 6 lakhs.

1. 8,500 units
2. 6,500 units
3. 7,500 units
4. 5,500 units.
5. The Current Liabilities of a manufacturing firm are Rs. 90 lakhs and the net working capital is Rs. 30 lakhs. Calculate the Current Ratio of the firm.
6. 1.15:1
7. 1.25:1
8. 1.23:1
9. 1.33:1
10. Where in the financial statements, the capital brought by the owner of the business is reflected?
11. On the Liability side of the Balance Sheet
12. On the Asset side of the Balance Sheet.
13. In the Trading Account
14. In the Profit & Loss Account

**Section-2 – Reasoning Section (Answer should not exceed more than 5 bullet points)**

**Three Questions are there. Candidates have to answer any 2 questions.**

**All questions carry 5 marks each – Total 10 marks.**

1. Explain the importance of preparing the Trading Account for a business firm. (5 marks)
2. From the following figures of an entity, calculate the Interest Service Coverage Ratio and Debt Service Coverage Ratio (5 marks)
3. Net Profit before tax : Rs. 800 lakhs.
4. Income Tax 20% on Net Profit
5. Depreciation : Rs. 200 lakhs.
6. Interest on Term Loan : Rs. 320 lakhs.
7. Term Loan Instalments payable during the year : Rs. 280 lakhs.
8. From the following figures, calculate the Quick Ratio (5 marks):
   * Cash on hand: Rs. 20,000
   * Bank balance: Rs. 1,20,000
   * Sundry Debtors: Rs. 1,00,000
   * Inventories: Rs. 2,40,000
   * Prepaid expenses: Rs. 20,000
   * Sundry Creditors for purchase of raw materials: Rs. 2,00,000
   * Long term Debts: Rs. 5,00,000

**Section- 3 – Compulsory and carries 20 marks.**

1. Following balances are extracted from the books of X & Co., Limited as on 31st March, 2023**:**

(Amount in Rupees)

|  |  |
| --- | --- |
| Details |  |
| Opening Stock as on 1st April, 2022 | 22,000 |
| Bills Receivables | 9,000 |
| Purchases | 78,000 |
| General Wages paid | 8,500 |
| Insurance premium paid | 1,400 |
| Sundry Debtors | 60,000 |
| Wages paid in manufacturing (Carriage Inwards) | 1,600 |
| Commission paid | 1,600 |
| Interest on capital paid | 1,400 |
| Stationery expenses | 900 |
| Sales returns | 2,600 |
| Sales | 1,20,000 |
| Purchases returns | 1,000 |
| Trade expenses | 400 |
| Office furniture | 4,000 |
| Cash in hand | 1,000 |
| Cash at bank | 9,500 |
| Rent paid | 2,200 |
| Bills Payable | 6,000 |
| Sundry Creditors | 39,300 |
| Plant & Machinery | 90,000 |
| Capital | 1,27,800 |

**Footnote:**

* Closing Stock as on 31st March, 2023: Rs. 50,000/-.
* Depreciation at the rate of 5% on Furniture and 10% on Plant & Machinery to be provided.
* From the above details:
  + - Prepare the Trial Balance of the Company as on 31st March, 2023 (5 marks)
    - Prepare the Trading account of the Company for the year ended 31st March, 2023 (5 marks)
    - Prepare the Profit & Loss account of the Company for the year ended 31st March, 2023 (5 marks)
    - Prepare the Balance Sheet of the Company as on 31st March, 2023 (5 marks).

**Paper IV: Business Finance and Inventory Management**

**Part – II – Inventory Management (Total Marks – 50)**

**Section-1 – MCQs**

**(10 Questions are there and each Question carries 2 marks) – Total 20 marks.**

1. Sales Turnover of a manufacturing concern is Rs. 60 lakhs. Profit margin is 20%. Opening Stock and Closing Stock levels are Rs. 12 lakhs and Rs. 18 lakhs. Find out the Inventory Turnover Ratio.
2. 3.20
3. 4.20
4. 3.50
5. 4.50
6. The inventory turnover ratio of a firm is 8 times. Assuming, the working day in a year is 240 days, calculate the Inventory Conversion Period and give meaning of this ratio.
7. 30 days, it means how much time it takes to convert the inventory into purchases.
8. 30 days, it means how much time it takes to convert the inventory into sales.
9. 3.33%, it means how much time it takes to convert the inventory into closing stock.
10. 3.33%, it means how much time it takes to convert the inventory into opening stock.
11. A toy manufacturing concern adopts the inventory valuation based on inflated price method. The materials in the process are subject to 6% normal wastage. The total purchase of raw material in a year is Rs. 60,000/- and normal finished goods produced is 4,000 toys in a year. Based on these inputs, calculate the inventory unit cost per toy.
12. Rs. 15.70
13. Rs. 14.50
14. Rs. 14.90
15. Rs. 15.90.
16. Bin Card is one of the important storage concepts in Inventory Management. From the below mentioned alternatives, identify which one of the choices is given wrongly.
17. Bin Cards are kept along with the location of the stores.
18. Bind Card is maintained by the Inventory/Stores Department.
19. Bin Card records are kept in quantity.
20. Bin Card records are kept in quantity and value.
21. In the ABC-VED matrix, from the alternatives given below, identify which one of the choices is the least valuable inventory.
22. AV
23. BE
24. AD
25. CD.
26. What is the main merit of holding inventory which is more than the optimum level?
27. Stock out situation can be avoided.
28. Stock out situation cannot be avoided.
29. Inventory holding cost would be less.
30. Insurance cost on Inventory holding would come down.
31. What is the main merit of holding inventory which is less than the optimum level?
32. Stock out situation can be avoided.
33. Inventory holding cost would be less.
34. Inventory holding cost would be more.
35. Insurance cost on Inventory holding would be very high.
36. What is the relation between the Ordering Cost and Inventory Carrying Cost in the Economic Ordering Quantity analysis?
37. It is direct correlation, when the Ordering Cost goes up, the Inventory Carrying Cost would also go up.
38. The Ordering Cost and the Inventory Carrying Cost will always equal in all situations.
39. It is inverse correlation, when the Ordering Cost goes up, the Inventory Carrying Cost would come down.
40. No correlation exists between Ordering Cost and Inventory Carrying Cost.
41. One of the inventory norms is called as GOLF. From the alternatives given below, identify the correct expansion for this acronym.
42. Government, Ordinary, Leverage and Foreign.
43. Government, Overseas, Leverage and Foreign
44. Government, Ordinary, Local and Foreign.
45. Government, Ordinary, Least and Foreign.
46. Which one of the alternatives given below represent correct formula for arriving at the Reorder Level?
    1. Minimum consumption x Maximum reorder period.
    2. Maximum consumption x Minimum reorder period
    3. Minimum consumption x Minimum reorder period.
    4. Maximum consumption x Maximum reorder period.

**Section-2 – Reasoning Section (Answer should not exceed more than 5 bullet points)**

**Three Questions are there. Candidates have to answer any 2 questions. All questions carry 5 marks each – Total 10 marks.**

1. Write in detail about any **ONE** of the below mentioned two concepts in Inventory Management. (5 marks):
   * Reorder Level
   * Lead Time
2. In management of inventories, an entity should always strive to determine and achieve the optimum level of inventory. Different tools of inventory analysis are available in arriving at the optimum inventory level. Out of this, explain in detail any ONE of the Inventory analyses: (5 marks)
   1. S-OS analysis.
   2. Just in Time analysis.
3. The following record is taken from the Stores Ledger of manufacturing concern: (5 marks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date of Transaction | Details | Unit Cost (Rs.) | Total Units purchased | Given for Production |
| 02/4/2023 | Purchase of raw material | 300 | 1,000 |  |
| 09/4/2023 | -do- | 320 | 1,500 |  |
| 16/4/2023 | -do- | 330 | 2,000 |  |
| 23/4/2023 | Given for Production |  |  | 1,300 |
| 30/4/2023 | -do- |  |  | 1,800 |

* The unit is working under the FIFO method. From this input, arrive at the valuation of closing inventory.

**Section-3 – Descriptive Section**

**Question No. 1 is compulsory and carries 20 marks.**

**(Compulsory Question)**

1. a. Explain the concept of Economic Order Quantity (EOQ) under Inventory Management with graphical representation. (10 marks)

b. The annual usage of raw material is 360 units. Cost per unit is Rs.20. Cost of carrying one unit for one year is 10% of cost per unit and cost of placing an order is Rs. 10. Find out EOQ. (5 marks)

c. Having worked out the EOQ, prove that at the point of EOQ, the ordering cost and the carrying cost are equal (5 marks)

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