

Instructions to candidates:

- No. of pages : Six (06) pages
No. of questions : Seven (07) Questions
Time : Three (03) Hours
Marks allocated : 100 Marks
Answer only six (06) questions including question No.01

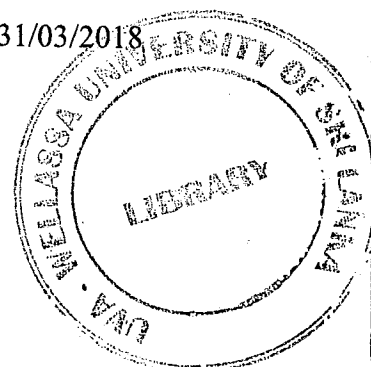
Index No:

01.

- i) What is mean by Financial Planning? (02 Marks)
- ii) What are the major financial planning decisions concerned, when developing a financial plan? (04 Marks)
- iii) Asus (Pvt) Ltd is a bag manufacturing company. The company is in acute need of preparing forecasted financial statements for next year of assessment. Following information is provided regarding their estimates for next year.
- Unit selling price, Rs. 2000.
 - Forecasted sales quantity, 3000 units.
 - One bag is made with 03 square meters of cane. The cost of one square meter of cane is Rs. 400.
 - Sixty (60) minutes of labor time is required to produce one bag. Labor rate per hour has been estimated as Rs.120.
 - Inventories were estimated as follows:

Description	01/04/2017	31/03/2018
Direct Material -cane (Square Meters)	945	345
Finished Goods (Units)	460	360

- Value of the Finish goods inventories as at 01/04/2017 and as at 31/03/2018 have been estimated as Rs. 920,000 and Rs.720,000 respectively.
- Sales and Marketing expenses has been estimated as Rs. 960,000.
- Administrative and Financial expenses will be Rs. 440,000.
- Estimated tax expense for next year is Rs. 200,500.



You are required to:

- a) Calculate the number of units to be produced during the year ended 31st March 2018 (02 Marks)
 - b) Calculate the cost of raw materials (cane) need to be purchased. (02 Marks)
 - c) Calculate direct labour cost. (02 Marks)
 - d) Calculate total manufacturing cost . (03 Marks)
 - e) Prepare Budgeted Income Statement for the year ended 31st March 2018. (05 Marks)
- (Total Marks-20)

02.

- i) Following financial Statements are from the books of Wellassa (Pvt) Ltd for the year ended 31st March 2016.

Wellassa (Pvt) Ltd
Income Statement
For the year ended 31st March 2016

		(Rs)
Sales		900,000
Cost of Goods Sold		(450,000)
Gross Profit		450,000
Administration and Establishment expenses	120,000	
Sales and Distribution expenses	15,000	
Interest expenses	100,000	(235,000)
Net Profit		215,000

Wellassa (Pvt) Ltd
Statement of Financial Position
As at 31st March 2016

		(Rs)
Assets		
Net Non-Current assets		450,000
<i>Current Assets</i>		
Inventory	56,700	
Debtors	16,200	
Bank	60,000	132,900
		<u>582,900</u>

Equity and Liabilities		
Owners' Equity-	405,900	
Retained Earnings	34,500	440,400
<i>Non Current liabilities</i>		
Long term loan	105,000	105,000
<i>Current Liabilities</i>		
Accounts Payables	15,000	
Notes Payable	22,500	37,500
		<u>582,900</u>

Additional information

- Sales growth rate of Wellassa (Pvt) Ltd is 20%
- Dividend Payout Ratio is 70%

You are required to:

- i) Prepare the forecasted Income Statement for Wellassa (Pvt) Ltd for the year ended 31st March 2017 based on the percentage of sales approach. (06 Marks)
 - ii) Prepare the forecasted Statement of Financial Position for Wellassa (Pvt) Ltd for the year ended 31st March 2017 based on the percentage of sales approach. (07 Marks)
 - iii) Calculate the External Financial Need (EFN) and suggest an appropriate plug variable. (03 Marks)
- (Total Marks-16)

03.

Entrepreneurial financing is focusing on the financial management of a venture as it moves through its life cycle. Businesses will come across significant difficulties in the early stages of businesses. Making entrepreneurial finance available and practice of sound management in finance are crucial for the survival of the business.

Explain different financing sources which appropriate to different stages of venture life cycle.



(16 Marks)

04.

i) What are the major determinants of firm growth? (06 Marks)

ii) Following information is given for you from the books of ABC (Pvt) Ltd.

Net Profit Rs. 14,400

Total Assets Rs. 114,000

Total Equity Rs. 49,200

Dividend payout ratio 60%

iii) How much the ABC (Pvt) Ltd can grow, using retained earnings as the only source of financing? (05 Marks)

iv) How much the firm can grow by using internally generated funds and issuing debt to maintain a constant debt ratio? (05 Marks)

(Total Marks-16)

05.

i) Briefly explain the Scope and the characteristics of Entrepreneurial Finance.

(04 Marks)

ii) Briefly explain the appropriate sources of long term finance that may be available to entrepreneurial entities to finance their expansions. (04 Marks)

iii) Discuss the factors that entrepreneurial entities should take into account when deciding on the mix of debt and equity finance. (04 Marks)

iv) Discuss the challenges faced by entrepreneurs when financing their businesses.

(04 Marks)

(Total Marks - 16)

06.

i) Explain how an entrepreneurial entity could control its working capital levels, and the impact of the suggested control measures. (04 Marks)

ii) Identify the objectives of working capital management in terms of liquidity and profitability, and discuss the conflict between them. (04 Marks)

iii) A firm has applied for working capital finance from a commercial bank. You are requested by the bank to prepare an estimate of the WC requirements of the firm. The company's cost structure as follows.

Raw Materials	200.00
Direct labour	100.00
Over Head	150.00
Total Cost	450.00
Profit	150.00
Selling Price	600.00

Units produced are 312,000 per year. The raw materials are in stock for **one** month. Credit allows by suppliers is **one** month. Finished goods are in stock for **one** month. Materials are in process for **three** weeks. Time lap in payments from debtors is **three** months. Time lap in payments of wages is **two** weeks. Time lap in payment of overhead is **one** month. Cash sales are 20% of the total sales. Cash in hand is Rs. 150,000.

You are required to prepare a statement showing working capital requirement of the firm.

(08 Marks)

(Total Marks - 16)

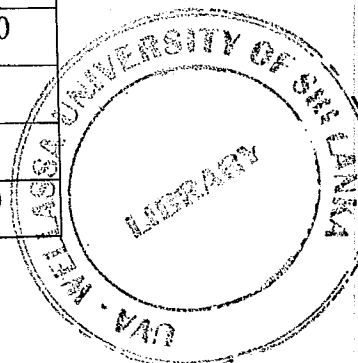
07.

i) Briefly explain the information you need to perform an Effective Financial Statement analysis. (06 Marks)

ii) Calculate each of the following liquidity and working capital ratios from the following accounts of a manufacturer of products for the construction industry, and comment on the ratios.

- Current ratio
- Quick ratio
- Accounts receivable payment period
- Inventory turnover period
- Accounts payable turnover period

	2015	2014
	<i>Rs. '000'</i>	<i>Rs. '000'</i>
Sales revenue	2,065.0	1,788.7
Cost of sales	1,478.6	1,304.0
Gross profit	586.4	484.7
<i>Current assets</i>		
Inventories	119.0	109.0



Accounts receivable (<i>note 1</i>)	400.9	347.4
Short-term investments	4.2	18.8
Cash at bank and in hand	48.2	48.0
	572.3	523.2
<i>Current liabilities</i>		
Loans and overdrafts	49.1	35.3
Corporation taxes	62.0	46.7
Dividend	19.2	14.3
Accounts payable (<i>note 2</i>)	370.7	324.0
	501.0	420.3
Net current assets	71.3	102.9

Notes	2015	2014
	<i>Rs. '000'</i>	<i>Rs. '000'</i>
1. Trade accounts receivable	329.8	285.4
2. Trade accounts payable	236.2	210.8

(10 Marks)

(Total Marks - 16)