



**B.Com III year (pass course)**  
**Business Budgeting**  
**Model Paper - I**

Max. Marks: - 100

Durations: - 3 Hrs.

1. All questions are compulsory. Each question carries 2 marks each and should be in word limit of 20 words.
  - i. State any two difference between Budget and Forecast.
  - ii. Name the methods of segregation of semi-variable costs into fixed and variable costs.
  - iii. What is “Budget Manual”?
  - iv. What is the assumption of Cross-cut Analysis?
  - v. What is ‘Key Budget Factor’ ?
  - vi. What is meant by product-mix?
  - vii. What do you mean by Weighted Average Cost of Capital?
  - viii. What is the difference between risk and uncertainty?
  - ix. What is the meaning of ‘Value Chain’?
  - x. Give the meaning of Business Forecasting.
  
2. All questions are compulsory. Each question carries 4 marks each and should be in word limit of 50 words.
  - i. Explain the difference between Fixed Budget and Flexible Budget.
  - ii. Elucidate the utility of Performance Budgeting in Commercial Banks.
  - iii. Ravindra Ltd. expects monthly sales in January Rs. 70,000, February Rs. 45,000, in March Rs. 75,000 and in April Rs. 50,000. 75% of sales are credit sales. The company received 30% of credit sales in the month following the sales, 40% after 2 months and the remaining in three months. Find out the cash collection in April.
  - iv. Explain the determination of the profitable level of production.
  - v. is Rs. 150. Calculate the cost of equity share capital.
  - vi. Describe any one approach of risk evaluation.

**Attempt three questions in all each question carries 20 marks.**

Q. 3 State the procedure for preparation of a Budget by a Business Undertaking.

Or

The following are the budgeted expenses of Ramesh Industries at the 60% activity level (60,000 units). Prepare a Flexible budget for 70% and 90% capacity levels:

Costs	Rs.
(i) Direct Material	1,20,000

(ii) Direct Wages		3,00,000
(iii) Other Expenses (Direct)		60,000
	Prime Cost (A)	4,80,000
<b>Variable Overheads:</b>		
(i) Consumable Materials		15,000
(ii) Shop Labour		6,000
(iii) Maintenance and Repairs		8,000
	Total Variable Overheads (B)	29,0000
<b>Fixed Overheads:</b>		
(i) Inspection		1,600
(ii) Depreciation		10,000
(iii) Insurance		5,000
(iv) Salaries		6,000
	Total Fixed Overheads (C)	22,600
	Total Cost (A+B+C)	5,31,000
Profit		68,400
Sales		6,00,000

Q. 4 What do you understand by Budgetary Control? Discuss main characteristics of Budgetary Control. main objectives.

Or

On the basis of data given below, prepare a cash budget of Calcutta Fruit Co. Ltd. for the quarter ending June 2005 and estimate its cash requirements for June 2005:

Sales :

February 2005	Rs. 25,000
March 2005	Rs. 20,000
April to June 2005	Rs. 30,000 P.M.

Roughly half the sales are for cash. 90% of credit sales are collected in the month following the month of sales and the balance one month later.

- (i) Fruits are always bought for cash to avail of the cash discount of 5%. The purchases budget for the second quarter (April-June) was 15,000 baskets per month @ 1 per basket.
- (ii) Wages and salaries for second quarter were budgeted at Rs. 5,000 per month.
- (iii) Manufacturing and other expenses budgeted for the quarter are as follows:

Cash Manufacturing Expenses	Rs. 4,500
Depreciation	Rs. 7,500
Selling Expenses	Rs. 3,000
Administrative Expenses	Rs. 2,000 (In April and May only)

Q. 5 Define Value Analysis. Describe the objectives and importance of Value Analysis.

Or

A company has obtained capital from the following sources, the specific costs are also noted down against them.

Source of Capital	Book Value	Market Value	Cost of Capital
	Rs.	Rs.	
Debentures	4,00,000	3,80,000	5%
Preference Shares	1,00,000	1,10,000	8%
Equity Shares	6,00,000	1200,000	13%
Retained Earnings	2,00,000	-	9%

You are required to calculate weighted average cost of capital using: (1) book value weights, and (ii) market value weights.



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**Model Paper - II**

Max. Marks: - 100

Durations: - 3 Hrs.

1. All questions are compulsory. Each question carries 2 marks each and should be in word limit of 20 words.
- State any two objectives of Budget.
  - On What basis budgets can be classified?
  - What do you understand by Master Budget?
  - What are other names of Performance Budgeting?
  - Mention the names of methods of preparing Cash Budget.
  - What is Zero Variance ?
  - Define Cost of Capital.
  - What do you mean by uncertainty?
  - What do you mean by Value Analysis?
  - Define Budgetary Control.
2. All questions are compulsory. Each question carries 4 marks each and should be in word limit of 50 words.
- Explain essential of an effective Budgeting.
  - What are the main features of Zero Base Budgeting?
  - “Standard costing and budgetary control are complementary to each other.” Comment.
  - Earnings per share of Wipro Limited is Rs. 9 and the market price of a share of face value of Rs. 100
  - Write the short note on the various phases of Value Analysis.

**Attempt three questions in all each question carries 20 marks.**

Q. 3 What is Zero Base Budgeting? Describe essentials of effective Zero Base Budgeting.

Or

Define Master Budget? Prepare Format of Master Budget.

Q. 4 What is cash budget? What is the difference between cash budget and finance budget? Discuss its

Or

(a)

Std.

Act.

Wage rate per hour	Rs. 6	Rs. 8
Time	1600 hr.	1500 hr.

Abnormal idle time 50 hr.

Calculate Labour variance.

- (b) When Std. Q. is 50 units, Std. Price per unit is Rs. 4.50, actual quantity used 40 units and actual price is Rs. 5. Calculate Material Variance.
- (c) X Ltd. Issued 10% irredeemable preference share. The face value of each share is Rs. 100 and Net amt. realized per share is Rs. 96.  
What is the cost of Preference capital?

Q. 5 Explain the concept of Risk. Describe the risk evaluation approaches.

Or

On the basis of the following information, state which project should be accepted?

Year	Cash Flows	
	Project X (Rs.)	Project Y (Rs.)
0	-20000	-20000
1	8000	10000
2	8000	12000
3	4000	6000

Riskless discount rate is 10%. Calculate NPV, Profitability Index and IRR.