

Solutions -practical

Haryana State SAS Part-II (OB) Examination 2025

Cost Accountancy and Financial Management

Time Allowed: 3 Hrs.

Max Marks: 150

Instructions to the candidates

1. Please read instructions carefully.
2. Question 1 is compulsory
3. All parts of the question attempted together.

Q.No.1 From the following information of Bansidhar Ltd., Prepare a Cash Flow Statement (Indirect Method):

(Rupees in Lakhs)

<i>Particulars</i>	<i>Note No.</i>	<i>31st March-25 (Rs.)</i>	<i>31st March-24 (Rs.)</i>
I. Equity and Liabilities			
1. Shareholders' Funds			
1. Shareholders' Funds			
a) Share capital		1500	1250
b) Reserve and surplus (surplus)		3410	1380
2. Non-current Liabilities			
Long-term borrowings (Long-term loan)		1110	1040
3. Current Liabilities			
a) Trade payables		150	1890
b) Other current liabilities	1	<u>630</u>	<u>1100</u>
Total		<u>6800</u>	<u>6660</u>
II Assets			
1. Non-current assets			
a) Fixed assets	2	730	850
b) Non-current investments		2500	2500
2. Current assets			
a) Current investments (Marketable)		670	135
b) Inventories		900	1950
c) Trade Receivables		1700	1200

d) Cash and cash equivalents		200	25
e) Other current assets (Interest receivables)		<u>100</u>	<u>00</u>
<i>Total</i>		<u>6800</u>	<u>6660</u>

Notes to Accounts:

<i>Particulars</i>	<i>31st March-25 (Rs.)</i>	<i>31st March-24 (Rs.)</i>
1. Other Current Liabilities		
i) Interest payable	230	100
ii) Income tax payable	<u>400</u>	<u>1000</u>
<i>Total</i>	<u>630</u>	<u>1100</u>
2. Fixed Assets:		
Tangible 2,180 1,910		
Less: Accumulated depreci(1,450) (1,060)		
730 850	730	850

Statement of Profit and Loss for the year ended-31 March, 2025

(Rupees in Lakhs)

<i>Particulars</i>	<i>Note No.</i>	<i>2025-March 31 (Rs)</i>
I. Revenue from operation		30,650
II. Other income	1	<u>640</u>
III. Total Revenue		31,290
IV. Less:- Expenses		
Cost of material consumed		26000
Finance cost (interest expenses)		400
Depreciation		450
Other expenses (Admn. and selling expenses)		<u>910</u>
Total expenses		<u>27760</u>

Profit before tax (III-IV)		<u>3530</u>
Less: Tax		(300)
Profit after tax		<u>3230</u>

Notes to Accounts:

<i>Particulars</i>	<i>Rs</i>
1. Other Income during the year 2024-25	
i) Interest Income	300
ii) Dividend Income	200
iii) Insurance Proceeds from earthquake disaster Settlement	<u>140</u>
Total	640

Additional Information:

(Rs 000)

(i) An amount of Rs 250 was raised from the issue of share capital and a further Rs 250 was raised from long-term borrowings.

(ii) Interest expense was Rs 400 of which Rs 170 was paid during the period. Rs 100 relating to interest expense of the prior period was also paid during the period.

(iii) Dividends paid were Rs 1,200.

(iv) Tax deducted at source on dividends received (included in the tax expense of Rs 300 for the year) amounted to Rs 40.

(v) During the period, the enterprise acquired Fixed Assets for Rs 350. The payment was made in cash.

(vi) Plant with original cost of Rs 80 and accumulated depreciation of Rs 60 was sold for Rs 20.

Note- Trade Receivables and Trade Payables include amounts relating to credit sales and credit purchases only.

Required:-Prepare **Cash Flow Statement (Indirect Method)**

showing (a) Cash from Operating Activities, (b) Cash from Financing Activities and (c) Cash from Investing Activities from the above information. Show working clearly.

(10+10+10=30 Marks)

Answer

Cash Flow Statement (Indirect Method)

<u>Particulars</u>		<u>Rs</u>
Cash Flows from Operating Activities		
Net Profit before Taxation and Extraordinary Item(3230+160div)		3,390
Adjustments for:		
+ Depreciation (390+60)	450	
– Interest Income	(300)	
– Dividend Income	(200)	
+ Interest Expense	<u>400</u> =	<u>350</u>
Operating Profit before working capital changes		3,740
Increase in Trade Receivables	(500)	
Decrease in Inventories	1,050	
Decrease in Trade Payables	<u>(1,740)</u> =	(1190)
Cash generated from Operations		<u>2,550</u>
Income Tax paid	(860)	<u>860</u>
Cash flow before Extraordinary Items		1,690
Proceeds from earthquake disaster settlement	140	<u>140</u>
Net cash from Operating Activities		1,830
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(350)	
Proceeds from Sale of Equipment	20	
Interest Received	200	
Dividends Received (net of TDS) 200-40	<u>160</u>	
Net total	30	30
Net cash from Investing Activities		
Cash flows from Financing Activities		
Proceeds from issuance of Share Capital	250	
Proceeds from Long-term Borrowings	250	

Repayment of Long-term Borrowings	(180)	
Interest Paid	(270)	
Dividends Paid	<u>(1,200)</u> =(1,150)	
<i>Net Cash used in Financing Activities</i>		(1,150)
Net Increase in Cash and Cash Equivalents		710
Cash and Cash Equivalents at the beginning of the period		<u>160</u>
Cash and Cash Equivalents at the end of the period		870

Working Notes:

(1) Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in hand and balances with banks, and investments in money-market instruments. Cash and Cash Equivalents included in the Cash Flow Statement comprise of the following balance sheet amounts.

	<i>(Rs 000)</i>	
	<i>2025</i>	<i>2024</i>
	<i>(Rs)</i>	<i>(Rs)</i>
Cash in Hand and balances with Bank	200	25
Short-term Investments	<u>670</u>	<u>135</u>
Cash and Cash Equivalents	870	160

(2) Cash Receipts from Customers

Sales	30,650	
<i>Add:</i> Trade Receivables at the beginning of the year	<u>1,200</u> =	31,850
<i>Less :</i> Trade Receivables at the end of the year		<u>(1,700)</u> = 30,150

(3) Cash paid to Suppliers and Employees

Cost of Revenue from operations	26,000	
Administrative and Selling Expenses	<u>910</u> =	26,910
<i>Add:</i> Trade Payables at the beginning of the year	1,890	
Inventories at the end of the year	<u>900</u> =	<u>2,790</u>
		29,700
<i>Less :</i> Trade Payables at the end of the year	150	
Inventories at the beginning of the year	1,950 =	(2,100)
		27,600

(4) Income Tax paid (including TDS from dividends received)

Income Tax expense for the year	300	
(including tax deducted at source from dividends received)		
Add : Income Tax liability at the beginning of the year	<u>1,000</u>	
	1,300	
Less : Income tax payable at the end of the year	<u>(400)</u> =	900

Out of Rs 900, tax deducted at source on dividends received (amounting to Rs 40) is included in cash flows from investing activities and the balance of 900-40=Rs 860 is included in cash flows from operating activities.

(5) Repayment of Long-term Borrowings

Long-term Debts at the beginning of the year	1,040	
Add : Long-term Borrowings made during the year	<u>250</u>	
	1,290	
Less : Long-term Borrowings at the end of the year	(1,110) =	180

(6) Interest paid

Interest expense for the year	400	
Add: Interest Payable at the beginning of the year	<u>100</u>	
	500	
Less: Interest Payable at the end of the year	(230) =	270

Q.No2. From the following particulars relating to a cost sheet, calculate (a) units to be produce per year (b) Total Cost and (c) Sale per unit :

A factory can produce 60,000 units per year at its 100% capacity.

The estimated cost of production is as under:

Direct Material-	Rs. 3 per unit
Direct Labour-	Rs. 2 per unit
Indirect Expenses-	
Fixed -	Rs. 1,50,000 per year
Variable-	Rs. 5 per unit
Semi- variable-	Rs.50,000 per year up to 50% capacity

and an extra expense of Rs.10,000 for every 25% Increase in capacity or part thereof.

The factory produces only against order and not for stock. If the Production program of the factory is as indicated below and the management desires to ensure a Profit is 20% of the sale, **work out the average selling price** at which per unit should be quoted:

First 3 months of the year 50% of capacity remaining 9 months 80% of the capacity. Ignore selling, distribution and administration overheads. (3+12+5=20 Marks)

Solution:

Particular	First 3 months-50% (7500 Units) Rs.	9 Months -80% (36000 Units) Rs.	Total -12Months (43500 units) Rs.
Direct Material	22500	108000	130500
Direct Labour	15000	72000	87000
Prime Cost	37500	180000	217500
Add: Indirect Expenses:			
Fixed (1: 3)	37500	112500	150000
Variable @ Rs.5 p.u.	37500	180000	217500
Semi –variable			
For 3 months	12500	-----	-----
@ Rs.50,000 p.a.			
For 9 months (50000+ 10000+10000)			
@ Rs.70,000 p.a. (70000x9/12)	--	52500	65000
Total Cost	125000	525000	650000
Profit	-----	-----	162500
Sales			812500

Average selling price Per unit =812500/43500=18.68

Working note:-

1. Production=60000 py, 60000/12=5000pm. For 3 month 15000, 50%=7500

2. 9 months 80% capacity=60000py ,48000x9/12=36000
 3. Fixed exp=3:9=1:3 4. Sale= 650000x100/80=812500

Q.No.3.

The financial books of a company reveal the following data for the year ended on March 31, 2025.

<u>Particulars</u>	<u>Amount (Rs.)</u>
Opening - Finished goods (875 units)	74,375
W-I-P	32,000
Raw materials consumed	780,000
Direct Labour	4,50,000
factory overheads	3,00,000
Administration overheads	295,000
Goodwill	1,00,000
Dividends paid	85,000
Bad debts	12,000
Selling and distribution overheads	61,000
Interest Received	45,000
Rent received	18,000
Sales (14500 units)	20,80,000
Closing Stock - Finished goods (375 units)	41,250
W-I-P	38,667

The cost records provide as under :

- Factory overheads are absorbed at 60% of direct wages
- Administration overheads are recovered at 20% of factory cost.
- Selling and distribution overheads are charged at Rs. 4 per unit sold.
- Opening stock of finished goods is valued at Rs. 104 per unit
- The company values work-in-progress at factory cost-both for financial and cost profit reporting.

Required:

- (a) Prepare statements for the year ended on March 31, 2025 and show - the profit as per financial records and the profit as per costing records
- (b) Present reconciliation statement reconciling profits as per costing records with the profits as per financial records. **(4+4+7=15 Marks)**

Answer

Profit & Loss A/c (for the year ending on March 31, 2025)

Particulars		Rs.	Particulars		Rs.
To opening stock of finished goods		74,375	By Sales		20,80,000
To work-in progress		32,000	By Closing finished stock		41,250
To Raw materials consumed		780,000	By work-in-progress		38,667
To Direct Labour		4,50,000	By Rent received		18,000
To factory overheads		3,00,000	By Interest received		45,000
To Administration overheads		2,95,000			
To Selling & Distribution overheads		61,000			
To Dividend paid		85,000			
To Good will		1,00,000			
To bad debts.		12,000			
To profit		33,542			
		-----			-----
		22,22,917			22,22,917

Statement of cost and profit

Particulars	Amount (Rs.)
Raw materials consumed	7,80,000
Add Direct labour	450,000
Prime cost	12,30,000
+ factory overheads (60% of direct wages i.e. 450,000)	2,70,000
Add: Opening W-I-P	32000
Less: Closing W-I-P	-38667
Net factory cost	14,93,333
Add: office overheads (20% of factory cost)	2,98,667
Total cost of production (14000 units)	17,92,000
Add: Opening stock of finished goods (875 units) (875 × 104)	+ 91,000
Less: Closing stock of finished Goods (375 units) (1792000 x 375 / 14000)	(48,000)
Cost of Goods sold (14500 units)	18,35,000
Add: selling and Distribution overheads (14500x4)	58,000
Cost of Sales (Total cost)	18,93,000
Add Profit	1,87,000

Sales	20,80,000

Thus, profit as per financial records – Rs. 33542

Profit as per costing records – Rs. 187,000

Working Note : Number of units produced = Sales + Closing Stock - Opening Stock

= 14500 + 375 – 875 = 14000 units

Reconciliation statement

	Amount (Rs.)	Amount (Rs.)
Profits as per cost records		1,87,000
<u>Items to be added :</u>		
1. Over-absorption of administration overheads (298667-295000)	3667	
2. Overvaluation of opening stock of finished goods in cost books (91000 - 74375)	16,625	
3. Interest received	45,000	
4. Rent received	18,000	83,292
<u>Items to be deducted:</u>		270,292
1. Under absorption of factory overheads (3,00,000 - 270,000)	30,000	
2. Under absorption of selling & distribution overheads (61000 - 58000)	3,000	
3. Overvaluation of closing Stock of finished goods in cost books (48000 - 41250)	6,750	
4. Goodwill	1,00,000	
5. Dividend	85,000	
6. Bad debts	12,000	236,750
Profit as per financial records		33542

OR

Q.No.3. Details of receipts and issues of a material in a factory during March are as follows:

March 1st	Opening balance 500 quintals @ Rs.25
3rd	Issued 70 quintals
4 th	Issued 100 quintals
8th	Issued 80 quintals
13th	Received from vendor 200 quintals @ Rs.24.50
14th	Return of surplus from a work order 15 quintals @ Rs.24

16 th	Issued 180 quintals
20 th	Received from vendor 240 quintals @ Rs.26
24 th	Issued 280 quintals
25 th	Issued 140 quintals
27 th	Return from a work order 12 quintals @ Rs.24.50
28 th	Received from vendor 100 quintals @ Rs.25
29 th	Returned to vendor 50 quintals.

Note-There was shortage of 5 quintals on 15th and 8 quintals on 27th.

Write up stores ledger using FIFO and LIFO method (8+7=15 Marks)

Answer

Stores ledger account

LIFO method

Date	Receipts			Issues			Balance		
	Units	Rate	Rs	Units	Rate	Rs	Units	Rate	Rs
1							500	25	12500
3				70	25	1750	430	25	10750
4				100	25	2500	330	25	8250
8				80	25	2000	250	25	6250
13	200	24.50	4900				250	25	6250
							200	24.50	4900
14	15 (returns)	24	360				250	25	6250
							200	24.50	4900
							15	24	360
15				5 (shortage)	25	125	245	25	6125
							200	24.50	4900
							15	24	360
16				180	25	4500	65	25	1625
							200	24.50	4900
							15	24	360
20	240	26	6240				240	26	6240
							65	25	1625
							200	24.50	4900
							15	24	360
24				65	25	1625	240	26	6240
				200	24.50	4900			
				15	24	360			

25		140 26 3640	100 26 2600
27	12 (returns) 24.50 294		100 26 2600 12 24.50 294
27		8 (shortage) 26 208	92 26 2392 12 24.50 294
28	100 25 2500		92 26 2392 12 24.50 294 100 25 2500
29		50 (returns) 26 1300	42 26 1092 12 24.50 294 100 25 2500

Stores ledger account

LIFO method

Date	Receipts	Issues	Balance
March	Units Rate Rs	Units Rate Rs	Units Rate Rs
1			500 25 12500
3		70 25 1750	430 25 10750
4		100 25 2500	330 25 8250
8		80 25 2000	250 25 6250
13	200 24.50 4900		250 25 6250 200 24.50 4900
14	15 (returns) 24 360		250 25 6250 200 24.50 4900 15 24 360
15		5 (shortage) 24 120	250 25 6250 200 24.50 4900 10 24 240
16		10 24 240 170 24.50 4165	250 25 6250 30 24.50 735
20	240 26 6240		250 25 6250 30 24.50 735 240 26 6240
24		240 26 6240 30 24.50 735 10 25 250	240 25 6000
25		140 25 3500	100 25 2500
27	12 (returns) 24.50 294		100 25 2500 12 24.50 294

27		8 (shortage) 24.50 196	100 25 2500 4 24.50 98
28	100 25 2500		100 25 2500 4 24.50 98 100 25 2500
29		50 (returns) 25 1250	100 25 2500 4 24.50 98 50 25 1250

Q.No.4. Sarnath owns and operates a small factory that manufactures plastic bottles which he sells to bottling companies.

Additional information:

- Annual demand is 1 million bottles spread evenly over the year
- Setup cost is Rs.5000 per batch
- Holding cost is Rs.3 per annum for each bottle
- Maximum production capacity is 2 million bottles per annum
- Currently, bottles are manufactured in 10 batches

A. Find the optimum production quantity (OPQ) that Sarnath should produce to minimize his costs.

B. Calculate the current annual holding cost and setup cost

C. Calculate the savings to Sarnath if he adopts the Economic Batch Quantity (EBQ)
(4+3+3 Marks)

Answer

Formula

$$\text{Economic Batch Quantity} = \sqrt{(2 \times C_s \times D) / (C_h(1 - D/P))}$$

Where:

- C_s is the setup cost of a batch
- D is the annual demand
- P is the annual production capacity
- C_h is the annual cost of holding one unit of finished inventory
- The formula for calculating EBQ is very similar to EOQ with one notable difference in the denominator. The cost of holding in EBQ formula is decreased by the amount of inventory that will be produced and sold on the same day therefore not contributing to the annual cost of holding the inventory.

Solution A: Optimum Production Quantity=OPQ

Economic Batch Quantity=EBQ

$$\text{Economic Batch Quantity} = \sqrt{(2 \times C_s \times D) / (C_h(1 - D/P))}$$

$$= \sqrt{(2 \times 5000 \times 1,000,000) / (3 \times (1 - (1,000,000/2,000,000)))}$$

$$= \sqrt{(10,000,000,000 / 1.5)}$$

$$= \sqrt{(6,666,666,666)}$$

$$= 81,650$$

Sarah should manufacture bottles in batches of 81,650 units

Solution B: Current Costs

Batch Quantity = Annual Demand ÷ Number of batches

$$= 1,000,000 \div 10$$

$$= 100,000 \text{ units}$$

Annual Holding Cost = (Batch Quantity/2) × C_h × (1- D/P)

$$= (100,000/2) \times 3 \times (1-(1,000,000/2,000,000))$$

$$= \text{Rs.}75,000$$

Setup Cost = Number of setups × setup cost

$$= 10 \times 5000$$

$$= \text{Rs.}50,000$$

$$\text{Total Current Cost} = (\text{Rs.}75,000 + \text{Rs.}50,000) = \text{Rs.}125,000$$

Solution C: Savings from EBQ

Annual Holding Cost:

$$= (\text{Batch Quantity}/2) \times C_h \times (1- D/P)$$

$$= (81,650/2) \times 3 \times (1-(1,000,000/2,000,000))$$

$$= \text{Rs.}61,238 \text{ (A)}$$

Setup Cost

$$\text{Number of batches} = 1,000,000 \div 81,650 = 12.2475$$

Setup Cost = Number of batches × Cost of setup

$$= 12.2475 \times \text{Rs.}5000 = \text{Rs.}61,238 \text{ (B)}$$

$$\text{Total Cost (EBQ)} = \text{(A)} + \text{(B)} = \text{Rs.}122,476 \text{ (C)}$$

$$\text{Total Current Cost} = 125,000 \text{ (D)}$$

$$\text{Savings} = \text{(D)} - \text{(C)} = 2,524 = (125000 - 122476)$$

OR

On January 01, 2022, Krishna Transport Co. purchased five trucks for Rs. 20,000 each. Depreciation has been provided at the rate of 10% p.a. using straight line method (SLM) and accumulated in provision for depreciation account. On January 01, 2023, one truck was sold for Rs. 5,000. On July 01, 2024, another truck (purchased for Rs. 20,000 on Jan, 01, 2022) was sold for Rs. 28,000. A new truck costing Rs. 30,000 was purchased on October 01, 2024. The Co. Change the method of charging depreciation from 01 January 2024 from SLM to Written Down Value Method (WDV) @20% pa.

You are required to prepare (a) trucks account,(b) Provision for depreciation account and (c)Truck disposal account for the years ended on December 2022, 2023 and 2024 assuming that the firm closes its accounts in December every year.

Solution

Book of Krishna Transport Co.

Trucks Account

Dr.

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Jan. 01-2022	Bank (Purchase of truck (5x20000))	1,00,000	Dec. 31	Balance c/d	1,00,000
		1,00,000			1,00,000
Jan. 01 2023	Balance b/d	1,00,000	Jan. 01	Truck disposal	20,000
			Dec 31	Balance c/d	80,000
		1,00,000			1,00,000
Jan. 01-2024	Balance b/d	80,000	Jul. 01	Truck disposal	20,000
Oct. 01 2024	Bank- (Purchase of new truck)	30,000	Dec 31	Balance c/d	90,000
		1,10,000			1,10,000

Truck Disposal Account

Dr.

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Jan. 01-2023	Machinery)	20,000	Jan. 01	Provision for Depreciation	2,000
				Bank (Sale)	5,000
				Profit & Loss (Loss on sale)	13,000
		20,000			20,000
Jul. 01 2024	Machinery P/L=Profit	20,000 14,000	July. 01 2024	Provision for Depreciation 2000+2000+2000	6,000
				Bank(sale)	28,000
		34,000			34,000

Provision for Depreciation Account

Dr.

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
Dec. 31 2022	Balance c/d	10,000	Dec. 31	Depreciation	10,000
		10,000			10,000
Jan. 01 2023	Truck Disposal	2,000	Jan. 01 2023	Balance b/d	10,000
Dec. 31 2023	Balance c/d	16,000	Dec. 31 2023	Depreciation	8,000
		18,000			18,000
Jan. 01- 2024	Truck Disposal	6,000	Jan. 01 2024	Balance b/d	16,000
Dec. 31	Balance c/d	25,500	Dec. 31	Depreciation (Rs. 12000+ 2000+1500) 15500	15,500
		31,500			31,500

*Working Notes**1. Calculation of amount of depreciation Rs.*

Year - 2022

10% on Rs. 1,00,000 for one year 10,000

Year - 2023

10% on Rs. 80,000 for one year 8000

Year – 2024

20% on Rs. 60,000 for 1 year 12,00020% on Rs. 20,000 for six months 2,00020% on Rs. 30,000 for three months 1500 = 15,500*2. Loss on sale of first truck*Original cost on January 01, 2022 20,000Less depreciation at 10% (2,000)Book value on January 1, 2023 18,000Sales price realised on 01.01.2023 (5,000)Loss on sale of first machine 13,000*3. Profit on sale of second truck Rs.*

Original Cost of second truck	20,000
(Less) depreciation charged	
2022 10%	2,000
2023 10%	2,000
2024 (upto June, 2024) 20%	<u>2,000</u> <u>6,000</u>
Book value of second truck	14,000
Sale price of second truck	<u>28,000</u>
Profit on sale	14,000

OR

Q.No. 4. A proforma cost sheet of a company provides the following particulars:

<u>Elements of Cost</u>	<u>Amount per unit Rs.</u>
Raw Material	80
Direct Labour	30
Overheads	<u>60</u>
Total Cost	170
Profit	<u>30</u>
Selling Price	200

The following further particulars are available: Raw materials are in stock on an average for one month. Materials are in process on an average for half a month. Finished goods are in stock on an average for one month. Credit allowed by suppliers is one month. Credit allowed to customers is two months. Lag in payment of wages is 1½ weeks. Lag in payment of overhead expenses is one month. One fourth of the output is sold against cash. Cash in hand and at bank is expected to be Rs.25,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production.

You may assume that production is carried on evenly throughout the year, wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month.

Solution

Statement Showing the Working Capital Needed

Current Assets	Rs.	Rs.
Minimum cash balance		25,000
(i) Stock of raw materials (4 weeks)		

$$1,60,000 \times 4 = 6,40,000$$

(ii) Work-in-Process (2 weeks):

Raw materials $1,60,000 \times 2$	3,20,000	
Direct Labour $60,000 \times 2$	1,20,000	
Overheads $1,20,000 \times 2$	<u>2,40,000</u>	6,80,000

(iii) Stock of Finished goods (4 weeks):

Raw Materials $1,60,000 \times 4$	6,40,000	
Direct Labour $60,000 \times 4$	2,40,000	
Overheads $1,20,000 \times 4$	<u>4,80,000</u>	13,60,000

(iv) Sundry Debtors (8 weeks):

Raw materials $1,60,000 \times 3/4 \times 8$	9,60,000	
Direct Labour $60,000 \times 3/4 \times 8$	3,60,000	
Overheads $1,20,000 \times 3/4 \times 8$	<u>7,20,000</u>	<u>20,40,000</u>
		47,45,000

Less Current Liabilities:

(i) Sundry Creditors (4 weeks)

$$1,60,000 \times 4 = 6,40,000$$

(ii) Wages outstanding (1-1/2 weeks):

$$60,000 \times 3/2 = 90,000$$

(iii) Lag in payment of overheads (4 weeks)

$$1,20,000 \times 4 = \underline{4,80,000} \quad \underline{12,10,000}$$

Net Working Capital Needed 35,35,000

Working Notes:

- i) It has been assumed that a time period of 4 weeks is equivalent to one month.
- ii) It has been assumed that direct labour and overheads are in process, on average, half a month.
- iii) Profit has been ignored and debtors have been taken at cost.
- iv) Weekly calculations have been made as follows:
 - (a) Weekly average of raw materials = $1,04,000 \times 80/52 = 1,60,000$
 - (b) Weekly labour cost = $1,04,000 \times 30/52 = 60,000$
 - (c) Weekly Overheads = $1,04,000 \times 60/52 = 1,20,000$