

Chapter- 5

Business Arithmetic

1. The price at which one unit of sale is sold is referred to as what?
2. Explain the importance of the unit of sale as a management tool.
3. Name and explain the concept which states that at a particular volume of production, a firm neither makes a profit nor a loss.
4. What is the break-even point? Why should an entrepreneur know about the break-even point?
5. The fixed expenses of W Limited are Rs 2, 75,000. The selling price of the toy is Rs. 50 and the variable cost is Rs 30 per unit. Find the break-even quantity and sales at the break-even level?
6. A factory is engaged in manufacturing coolers. The following information is available to you: sales = Rs 2, 50,000, direct labor cost (for 100 units) = Rs 25,000, direct material cost (for 100 units) = Rs62, 500, direct expenses (for 100 units) = Rs 12500, fixed cost = Rs 75,000. Calculate variable cost per unit, total cost and break-even point.
7. Explain the meaning of cash flow projection. Why there is a need for a cash flow projection?
8. What is financial management? What are the objectives of financial management?
9. Kundan Real Estate Company has initiated a new housing project in Jabalpur. Manish has been appointed as the project manager and had been asked to prepare a budget. Which budget will be prepared by him? Why?
10. Give any two benefits of budgeting as enjoyed by a business.
11. Explain the different steps of the budgeting process.
12. A detailed plan of operation for some specific future period is referred to as what?
13. What is the budget? Give the essential characteristics of a budget.
14. Why is working capital called circulating capital?
15. What is working capital? What is the need for working capital? What value is exhibited by the business by maintaining adequate working capital?

16. Current assets of a firm are: cash = Rs 50,000, debtors = Rs 75,000, inventory = Rs 1,00,500. Its current liabilities are: bills payable = Rs 35,000, creditors = Rs 80,000. On the basis of the given information, compute Gross Working Capital and Net Working Capital.
17. Why is inventory control essential for an entrepreneur? Give reasons.
18. What is Pareto's principle?
19. What is an ABC analysis?
20. The computation of EOQ is based on certain assumptions. What are the assumptions?
21. Find out EOQ and the number of orders to be placed during the year from the following information. Annual consumption = 120 units, buying cost per order Rs 20, price per unit = Rs 100, storage cost as percentage of inventory = 12% (3M).
22. A book shop sells pens 30,000 quantities per year. The demand is uniform. The purchase cost is Rs 6 per pen. Holding cost per annum is 20% of the purchase cost. The ordering cost is Rs 500 per order. What should be the EOQ for the shopkeeper?
23. Write a short note on return on investment.
24. Differentiate between return on equity and return on investment.
25. Calculate Return on Investment and Return on Equity. Total investment Rs 10,00,000 out of it Rs 4,00,000 is owner's own money and he borrowed a loan for Rs 6,00,000. Interest rate per annum is 10%. Monthly sales revenue is Rs 6,00,000 and cost of goods sold is Rs 3,00,000, fixed expenses per month Rs 2,00,000 (salary Rs 1,50,000, rent and utility Rs 50,000), depreciation Rs 10,000 and tax @20%.