

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:**
1. All questions are compulsory
 2. Attempt new question on a new page
 3. Assume suitable data where necessary
 4. Simple digital calculator is allowed

- Q.1 a) a) What are the advantages and limitations of Ratio analysis 5
 b) Define capitalisation and explain the cost theory of capitalisation. 5
 c) How is the modern theory of financial management different them the traditional approach. 5

OR

- Q.1 b. The comparative Balance Sheets of a limited company are given below : 15

	31-3-15	31-3-16		31-3-15	31-3-16
Share capital	1,80,000	2,00,000	Fixed assets	2,40,000	2,60,000
General reserve	55,000	30,000	Less: Accumulation apreciation	(54,000)	(70,000)
				1,86,000	1,90,000
P & L	10,225	16,725	Investments	50,000	25,000
Creditors	66,825	97,675	Stock	27,800	45,250
Proposed dividend	14,400	7,500	Debtors	59,150	83,900
Provision for taxation	25,000	16,000	Bank balance	24,900	23,750
			Preliminary expenses	3,600	-
	<u>3,51,450</u>	<u>3,67,900</u>		<u>3,51,450</u>	<u>3,67,900</u>

Draw up:

- a) A Schedule of changes in working capital
- b) A funds flow statement

- Q.2 a) The summarised final accounts of a company are given below: 15

Balance Sheet

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Share Capital	88,000	Fixed assest	1,21,000
Reserves	42,900	Current assets	1,25,400
8% Debentures	22,000		
Current liabilities	93,500		
	<u>2,46,400</u>		<u>2,46,400</u>

Revenue statement

Sales	Rs.3,30,000
(-) Cost of sales	Rs.2,37,600
Gross profit	Rs. 92,400
(-) Operating exp.	Rs. 63,800
Net profit before tax	Rs. 28,000
(-) Tax	Rs. 12,100
Net profit after tax	Rs. 16,500

From the above information calculate the following ratios:

- i) Proprietary ratio
- ii) Capital Gearing ratio
- iii) Operating ratio
- iv) Net profit ratio
- v) Return on capital employed

OR

Q.2 b) A project needs an initial investment of Rs.50,000. Tax rate is 55%. The company follows straight line method of depreciation and the proposed inflows (before tax and depreciation) over its expected useful life are: 15

Year	Inflow (N.P.B.Dep & tax) Rs
1.	10,000
2.	10,000
3	15,000
4.	15,000
5.	25,000

Determine

- i. Payback period
- ii. Payback profitability
- iii. A.R.R

Q.P. Code :08452

Q.3 a. From the following particulars prepare a cash budget for the quarter ending 30th June 2016. 15

Month	Sales (Amt)	Purchase (Amt)	Wages & exp (Amt)
January	1,00,000	40,000	40,000
February	1,10,000	45,000	42,000
March	1,00,000	50,000	44,000
April	1,10,000	60,000	46,000
May	1,20,000	40,000	48,000
June	1,30,000	60,000	50,000

Additional information

- a) sales- 10 % on cash, balance on 1 month credit.
- b) Purchases – 10% on cas, balance on 2 months credit.
- c) Wages & Expenses are payable twice in a month (1/2 month) i.e 1st & 16th respectively.
- d) Estimated cash balance on 1st April is Rs.15,000 and dividend payable in May is Rs.10,000.

OR

Q.3 b. 08
 a) Explain the concept of “franchising”. What are its major benefits?
 b) Explain various types of Lease Arrangements. 07

Q.4 a) The following information has been extracted from the records of Saahil & Company: 15

Element of cost	Rs. (Per Unit)
Raw material	45
Labour	20
Overheads	40
Total cost	105
Profit	15
Selling price	120

- 1) Raw Materials are in stock on an average for 2 months.
 - 2) The materials are in process on an average for 4 weeks.
 - 3) Finished goods stock on an average is 1 month.
 - 4) Time lag in payment of wages and overheads is 1.5 weeks.
 - 5) Credit allowed by suppliers is one month.
 - 6) Time lag in reciepts from debtors is 2 months.
 - 7) 20% of the output is sold against cash.
 - 8) The company expects to keep cash balance of Rs.1,00,000.
 - 9) Take 52 weeks per annum.
 - 10) The company is poised for a manufacture of 1,44,000 units in the year.
- You are required to prepared a statement showing the working capital requirements of the company

OR

Q.4 b. a) The accountant of Synthetic Industries Limited submits the following statements for 2016 15

Trading & profit & loss A/C

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Opening stock	25,000	By Sales	6,25,000
To Purchase	5,00,000	By Closing stock	25,000
To Dep on Assets	50,000	By Profit on sale of assets	80,000
To Other exp	30,000		
To Tax	40,000		
To Net profit	85,000		
	<u>7,30,000</u>		<u>7,30,000</u>

Balance sheet

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Share Capital	2,74,000	Cash	5,000
Creditors	80,000	Debtors	1,00,000
Bank O/D	25,000	Stock	25,000
Tax provision	1,000	Fixed assets	2,50,000
	<u>3,80,000</u>		<u>3,80,000</u>

Rearrange rhe above in a vertical form

Q.5 Attempt the following (**any five**) 15

- A) Write any 3 advantages and 3 disadvantages of pay-back period method of capital budgeting.
- B) Explain any 3 factors that determine working capital.
- C) What do you understand by the term “trading on equity”.
- D) Distnguish between fixed and flexible budgets.
- E) Write a short note on the “working capital cycle”.
- F) What is the need for drawing up a cash budget?
- G) Write 3 limitations of ratio analysis.
- H) Write a short note on wealth maximization.
- I) Explain earnings theory of capitalization with an example.
- J) Give the formula for:
 - i) Quick ratio
 - ii) Creditor’s turnover ratio
 - iii) Operating ratio