

Time: 2Hrs.30Min.

Max. Marks: 75

Instructions: (a) All questions are compulsory subject to internal choice.

(b) Figures to the right indicate full marks.

Q.1: A) Multiple Choice questions. (Any 8)

(08)

1. Current ratio is 2.5 working capital is Rs.60,000 current assets will be.....  
a) Rs. 1,00,000                      b) Rs. 1,40,000                      c) Rs. 50,000                      d) Rs. 1,25,000
2. Debt Equity Ratio is 1:2 Which of the following would increase the ratio .....  
a) Issue of debentures against purchase of fixed assets      b) Cash received from debtors  
c) Payments to creditors    d) Purchase of goods on credit
- 3) The transfer to reserve is 10% of profit, if dividend declared exceeds \_\_\_\_\_%  
a) 10%                      b) 15%                      c) 20%                      d) 25%
- 4) In Balance Sheet, securities premium should be shown under \_\_\_\_\_.  
a) Share capital    b) Reserves & surplus  
c) Current liabilities    d) Fixed assets
- 5) Negative working capital is equal to.....  
a) current assets less current liabilities                      b) current assets less fixed assets  
c) current liabilities less current assets                      d) none of the above
- 6) Sale of goods on cash basis.....  
a) reduces working capital requirement                      b) increases working capital requirement  
c) nullifies working capital requirement                      d) none of the above
- 7) Management accounting is .....  
a) Futuristic Approach    b) based on cost and financial accounting  
c) aids decision making    d) All of the above
- 8) The most common form of dividend payment is.....  
a) Stock Dividend    b) Bonus Issue  
c) Stock Split    d) None of the above
- 9) Payment of fixed dividend is known as.....  
a) Constant Payout    b) Fluctuating Dividend  
c) Cash Dividend    d) Stock Dividend
- 10) If EPS of the firm is Rs.10 and retention is 0% the dividend payout would be.....  
a) 10                      b) 0  
c) 5                      d) none of the above

**Q.1: B) Match the following (any 7)**

**(07)**

| Group 'A'                   | Group 'B'                     |
|-----------------------------|-------------------------------|
| 1. Unpaid investors loan    | a) Loan                       |
| 2. F. D. with Bank          | b) Balance Sheet              |
| 3. Accrued interest on loan | c) Profit & Loss Account      |
| 4. Preliminary Expenses     | d) Bank balance               |
| 5. Miscellaneous expenses   | e) Current liability          |
| 6. Dividend                 | f) Bonus Issue                |
| 7. Stock Dividend           | g) Modigliani & Miter         |
| 8. Irrelevance Approach     | h) Walter & Gordon            |
| 9. Relevance Approach       | i) Convertibility in Cash     |
| 10. Liquidity               | j) Stable Dividend Policy     |
|                             | k) Part of profit Distributed |
|                             | l) Shareholders               |
|                             | m) Board of Directors         |

**Q.2A.:** Following are the financial statements of two similar companies:

**(15)**

**Balance Sheet as at 31<sup>st</sup> December, 2018 (Rs in 000's)**

| Liabilities                 | X Ltd.<br>Rs. | Y Ltd.<br>Rs. | Assets                 | X Ltd.<br>Rs. | Y Ltd.<br>Rs. |
|-----------------------------|---------------|---------------|------------------------|---------------|---------------|
| <b>Share Capital</b>        |               |               | Land and Building      | 1,400         | 1,200         |
| Equity Shares of Rs.10 each | 4,000         | 4,000         | Plant                  | 4,100         | 3,200         |
| Revenue Reserve             | 1,950         | 1,600         | Stock                  | 2,850         | 2,100         |
| 8% Debentures               | 1,000         | 1,000         | Debtors                | 2,600         | 1,900         |
| Trade Creditors             | 2,800         | 1,400         | Investment (Long term) | -             | 300           |
| Other Creditors             | 250           | 200           | Bank                   | 100           | 300           |
| Provision for Tax           | 900           | 700           | Deposit                | 150           | 100           |
| Bills Payable               | 300           | 200           |                        |               |               |
|                             | <u>11,200</u> | <u>9,100</u>  |                        | <u>11,200</u> | <u>9,100</u>  |

**Income statement for 2018 (Rs in 000's)**

|                      | X Ltd.<br>Rs. | Y Ltd.<br>Rs. |       | X Ltd.<br>Rs. | Y Ltd.<br>Rs. |
|----------------------|---------------|---------------|-------|---------------|---------------|
| Cost of Sales        | 10,800        | 9,000         | Sales | 15,000        | 12,000        |
| Operating Expenses   | 2,900         | 2,000         |       |               |               |
| Taxation             | 550           | 410           |       |               |               |
| Net Profit After Tax | 750           | 590           |       |               |               |
|                      | <u>15,000</u> | <u>12,000</u> |       | <u>15,000</u> | <u>12,000</u> |

On the basis of the above information you are required to compute separately the following ratios for both the companies and provide your comparative comments on same

1. Capital gearing ratio
2. Current ratio
3. Debtors turnover ratio
4. Return on proprietary fund
5. Return on Equity Share Capital

**OR**

**Q.2B. :** Following is the Profit and Loss Account of Chaywala Ltd. for the year ended 31<sup>st</sup> March, 2018, (15)

**Profit and Loss Account for the year ended 31<sup>st</sup> March, 2018**

| Particulars (Debit)        | Rs.              | Particulars (Credit)             | Rs.              |
|----------------------------|------------------|----------------------------------|------------------|
| To Opening Stock           | 2,00,000         | By Sales                         | 10,50,000        |
| To Purchases               | 5,75,000         | Less : Return                    | <u>50,000</u>    |
| Less : Return              | <u>25,000</u>    | By Closing Stock                 | 2,50,000         |
| To Factory Rent            | 1,25,000         |                                  |                  |
| To Direct Wages            | 1,25,000         |                                  |                  |
| To Gross Profit c/d        | 2,50,000         |                                  |                  |
| Total                      | <b>12,50,000</b> | Total                            | <b>12,50,000</b> |
| To Office Rent             | 12,500           | By Gross Profit b/d              | 2,50,000         |
| To Salaries                | 25,000           | By Interest                      | 17,500           |
| To Selling Expenses        | 18,750           | By Profit on Sales of Investment | 1,250            |
| To Discount Allowed        | 6,250            |                                  |                  |
| To Interest                | 10,000           |                                  |                  |
| To Bank Charges            | 2,500            |                                  |                  |
| To Depreciation            | 30,000           |                                  |                  |
| To Loss on Sales of Assets | 5,000            |                                  |                  |
| To Income Tax              | 45,000           |                                  |                  |
| To Net Profit              | 1,13,750         |                                  |                  |
| Total                      | <b>2,68,750</b>  | Total                            | <b>2,68,750</b>  |

Calculate the following ratios and Prepare vertical Income Statement.

- Gross Profit Ratio
- Operating Ratio
- Net Profit Ratio (After Tax)
- Operating Expenses Ratio
- Stock Turnover Ratio.

**Q3: A)** You are required to prepare a statement showing the working capital required to finance the level of activity of 1250 units per month from the following information: (15)

- Raw materials are in stock on an average for 2 months.
- Materials are in process on an average 2 months.
- Finished Goods are in stock on an average for half a month.
- Credit allowed by the suppliers is 3 months of purchase of raw-materials are credit allowed to customers is 5 months.
- Lag in payment of Wages and Overheads is one month.
- Provide a margin of safety at 10%.on net working capital.
- Debtors are valued at selling price.
- Activities are spread evenly throughout the year: Cost per unit:  
Raw-materials Rs. 16.  
Wages Rs.08  
Overheads Rs. 12  
Profit 25% on cost

**OR**

**Q3B.** A proforma cost sheet of a company provides the following particulars: (15)

| Elements of Cost | Amount per unit<br>Rs. |
|------------------|------------------------|
| Raw Material     | 160                    |
| Direct Labour    | 60                     |
| Overheads        | 120                    |
| Total Cost       | 340                    |
| Profit           | 60                     |
| Selling Price    | 400                    |

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 1,56,000 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. Value Debtors at Cost. Also calculate operating cycle for the same.

**Q.4: A)** ABC Ltd. was started a year back with a paid-up equity capital of Rs.40,00,000. (08)

The other details are as under:

|                         |               |
|-------------------------|---------------|
| Earnings of the Company | : Rs.4,00,000 |
| Dividend Paid           | : Rs.3,20,000 |
| Price-Earnings Ratio    | : 12.5        |
| Number of Shares        | : 40,000      |

You are required to find out whether the company's dividend pay out ratio is optimal, using Walter's Formula.

**B)** Sun Ltd declared a 3 for 2 bonus issue during the year 2017-18. An extract of balance sheet prior to issuance of bonus shares is as follows – (07)

|                                       |              |
|---------------------------------------|--------------|
| Ordinary Share Capital ( FV 100 each) | Rs 50,00,000 |
| Share Premium Account                 | Rs 25,00,000 |
| Revaluation Reserve                   | Rs 35,00,000 |
| Retained Profits                      | Rs 60,00,000 |

State the journal entries to record the above transactions and discuss its impact on Revaluation Reserve and Retained Earnings.

OR

Q4C. Following is the Market Price and P/E Ratio of Meena Ltd over the past ten years. You are required to calculate dividend payout for each financial year under following cases (15)

| Financial year | MPS ( Rs) | P/E Ratio |
|----------------|-----------|-----------|
| 2008-2009      | 550       | 2.0       |
| 2009-2010      | 625       | 2.2       |
| 2010-2011      | 610       | 2.0       |
| 2011-2012      | 580       | 1.8       |
| 2012-2013      | 475       | 1.5       |
| 2013-2014      | 450       | 1.25      |
| 2014-2015      | 510       | 1.75      |
| 2015-2016      | 520       | 2.00      |
| 2016-2017      | 570       | 2.50      |
| 2017-2018      | 580       | 2.80      |

- The company follows a constant dividend payout of 30%.
- The minimum dividend if Rs 20 per share for each year and increases by Rs 20 per share for increase in EPS by 10% from previous year.

Q.5 a) Explain MM model in brief . (08)

b) Discuss the uses of financial statements (07)

OR

Q.5 Write short notes. (any three) (15)

- Tools of financial analysis
- Gordon model
- Sources of working capital
- Stock Split
- Scope of Management accounting

\*\*\*\*\*