



Time: 2 ½ hrs.

Marks: 75

- Note:**
1. All questions are compulsory with internal options.
 2. Figures to the right indicate full marks.

Q.1 (A) Multiple Choice Questions :- (Any Eight)

(08)

1. Gross profit is excess of sales over _____.
(a) purchase (b) total cost (c) cost of raw material (d) cost of goods sold
2. An asset which does not have physical identity is called as _____.
(a) current asset (b) intangible asset (c) fixed asset (d) non current asset
3. Current ratio indicates _____.
(a) long term solvency (b) operating efficiency (c) collection efficiency
(b) short term financial position
4. Borrowed funds does not include _____.
(a) debentures (b) public deposits (c) bank overdraft (d) bonds
5. In cash flow statements, goodwill written off is _____.
(a) added to book profits (b) deducted from book profits (c) treated as cash inflows
(b) treated as cash outflows.
6. The excess current assets over current liabilities is called _____ working capital.
(a) gross (b) net (c) permanent (d) temporary
7. Shortage of working capital may result in _____.
(a) poor credit standing (b) excess working capital (c) higher cash discount
(b) higher trade discount
8. In response to market expectations the credit period has been increased from 30 days to 45 days. This would lead to _____ in average collection period.
(a) increase (b) decrease (c) no change (d) none of the above
9. Credit evolution of customer includes approval of _____.
(a) character (b) capital (c) capacity (d) all of the above
10. _____ is an example of balance sheet ratio.
(a) capital gearing ratio (c) net profit ratio
(b) debtor turnover ratio (d) average collection period

Q.1 (B) State whether the following statements are true or false (Any Seven)

(07)

1. Goodwill should be shown under fictitious assets.
2. Interest on loan is disclosed separately in vertical income statements.
3. Short term solvency ratio measures the ability of the firm to pay current liabilities.
4. Debt collection period indicates time taken by debtors to settle the account.
5. Sale of machinery is a source of cash from financing activities.
6. Issue of share capital creates cash flow from financing activities.
7. Manufacturing organizations require higher working capital than trading organizations.
8. Stock of finished goods should be valued at cost of productions while calculating working capital.
9. Longer the production cycle, larger will be the requirement of working capital.
10. Ageing schedule of receivables is one way of monitoring the receivables

Q.2 Following is the balance sheet of Lion Ltd. as on 31st March 2018.

(15)

Liabilities	Amount	Assets	Amount
Share Capital	600000	Goodwill	80000
Securities Premium	20000	Land	320000
General reserve	240000	Plant	176000
Profit and loss A/c	68000	Furniture	12000
11 % Debentures	200000	Investment	320000
Bank loan	140000	Debtors	280000
Bank overdraft	80000	Stock	240000
Creditors	240000	Prepaid expenses	20000
Provision for Tax	40000	Cash	160000
		Preliminary Expenses	20000
	1628000		1628000

Present the above balance sheet in vertical form.

OR

Q.2 Prepare comparative income statement in vertical form.

(15)

Profit and loss A/c for the year ended 31st March

Particulars	2017	2018	Particulars	2017	2018
To opening stock	44000	40000	By sales	190000	200000
To purchase	84000	72000	By closing stock	46000	44000
To wages	40000	36000	By interest received	20000	
To Factory Expenses	32000	28000			
To establishment expenses	8000	6000			
To management expenses	2000	2000			
To selling expenses	6000	10000			
To interest	6000	8000			
To loss on sale of asset	2000	2000			
To provision for taxation	22000	24000			
To transfer to reserve	10000	16000			
	256000	244000		256000	244000



Q.3 Calculate the ratio for Tiger Ltd. from following information

(1)

Balance sheet as on 31st March 2018

Liabilities	Amount	Assets	Amount
Equity capital	2400000	Net fixed asset	1210000
10% debentures	460000	Cash	440000
Creditors	330000	Debtor	550000
Bills payable	440000	Stock	1650000
Other current liabilities	220000		
	3850000		3850000

Statement of profit for the year ended 31st March 2018

Particulars	Amount	Amount
Sales		5500000
Less : Cost of goods sold		
Material	2090000	
Wages	1320000	
Factory overheads	649000	(4059000)
Gross Profit		1441000
Less: Operating Expenses		
selling expenses	550000	
Administration Expenses	614000	(1164000)
Earnings before interest and tax		277000
Less: Interest		(46000)
Earnings before tax		231000
Less: Tax		(115500)
Earnings after tax		115500

Ratios to be calculated

- Current ratio
- Liquid ratio
- Proprietary ratio
- Operating ratio
- Stock turnover ratio
- Capital gearing ratio
- Return on capital employed

Note: Conversion of statement in vertical form are not required.

OR

Q.3 Following are the financial statements of Ria Ltd for 2016

(1)

Trading and profit and loss A/c for the year ended 31st March 2016

Particulars	Amount	Particulars	Amount
To opening stock	70000	By sales	1660000
To purchase	1500000	By closing stock	160000
To gross profit	250000		
	1820000		1820000
To depreciation	36000	By gross profit	250000
To other expenses	74000	By commission	10000
To tax provision	40000		
To proposed dividend	16000		
To net profit	94000		
	260000		260000

Balance sheet as on 31st March, 2016

Liabilities	Amount	Assets	Amount
Share capital	300000	Cash	48000
Bank overdraft	38000	Stock	160000
Creditors	34000	Debtors	138400
Provision for tax	40000	Land and building	92000
Proposed dividend	16000	Machinery	74600
Profit and loss A/c	180000	Goodwill	20000
		Loans and advances	60000
		Preliminary expenses	15000
	608000		608000

Calculate the following ratios:

- Current ratio
- Proprietary ratio
- Operating ratio
- Stock turnover ratio
- Debtor turnover ratio
- Return on capital employed
- Quick ratio

Note: Converting the statements in vertical format is not expected.

Q.4

Following are the summary balance sheets of Abhishek Products Ltd.

Liabilities	31.3.2016	31.3.2017	Assets	31.3.2016	31.3.2017
Equity share capital	1000000	1200000	Fixed assets	1100000	1300000
10% preference share capital	500000	300000	Investment	260000	260000
Capital redemption reserve	--	200000	Stock	740000	899000
Profit and loss A/c	207000	280000	Debtors	1050000	990000
Creditors	1373000	1250000	Bills receivable	150000	210000
Provision for tax	170000	210000	Bank balance	100000	80000
Provision for depreciation	200000	335000	Cash in hand	30000	20000
			Preliminary expenses	20000	16000
	3450000	3775000		3450000	3775000

Additional information:

- Preference share were redeemed on 1.4.2016 company pays preference dividend on 31st March every year.
- Fixed assets of Rs.200000/- were purchased on 31.3.2017 against which equity shares of Rs.200000/- were issued at par
- Dividend received on investment was Rs. 26000/-
- Provision for taxation for 2015-16 Rs. 170000/- was paid during 2016-17.

Prepare cash flow statement from the year ended 31st March 2017 by indirect method as per AS- 3 from the above information.

OR

- Q.4** The following information is presented by data and sons Ltd. For the year 2016-17 (15)
 Estimated yearly production : 30000 units
 Estimated cost sheet per unit:

Particulars	Amount
Raw material	5
Wages	3
Overhead	2
Selling price	12

Further information:

- (1) The company extends two month credit to the customer.
- (2) The company maintains one month stock of raw material.
- (3) The company maintains two month stock of finished goods.
- (4) The processing period is half a month.
- (5) The company is allowed one month credit by suppliers.
- (6) Wages and overheads are paid one month in arrears.
- (7) The cash and bank balance is expected to be Rs.8125/-
- (8) There is regular purchase, production and sales cycle.
- (9) During production process wages and overheads accrue evenly.

Prepare an estimated working capital statement.

- Q.5** (a) Explain receivable management. (08)
 (b) Explain with example common size statement. (07)

OR

- Q.5** Write short notes (Any three) (15)

- (1) Types of working capital
- (2) Contingent liabilities
- (3) Fictitious Assets
- (4) 5 C's in credit policy
- (5) Capital employed

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