

Time: 2½ hrs.

Marks:75

Note:

1. All questions are compulsory with internal options.
2. Figures to the right indicate full marks.
3. Draw neat diagram wherever necessary.

Q. 1 (A) Fill in the blanks with the correct answer from the alternatives given below. (Attempt any 8) (08)

- (1) _____ is not considered as an intangible asset.
(a) Goodwill (b) Trademark (c) Patent (d) Machinery
- (2) Current ratio indicates _____.
(a) Long term solvency (b) Operating efficiency
(b) Collection efficiency (d) short term financial position
- (3) Short term obligations which are payable within the operating cycle period or within a year are called _____.
(a) Quick liabilities (b) Current liabilities
(c) Current assets (d) Non-current liabilities
- (4) The main purpose of _____ ratio is to show the extent to which working capital is blocked in inventories.
(a) Inventory turnover (b) Stock to working capital
(c) Stock velocity (d) Balance sheet
- (5) Issue of equity shares creates cash flow from _____.
(a) Operating activities (b) Financing activities
(c) Investing activities (d) None of the above
- (6) An asset which does not have physical identity is called as _____.
(a) Current assets (b) Intangible asset (c) Fixed asset (d) Non-current asset
- (7) Bad debts are calculated on _____.
(a) Cost (b) Sales (c) Profit (d) Benefit
- (8) In common size analysis, the items in the income statement are expressed as a % of _____.
(a) Total assets (b) Net sales (c) Total expenses (d) Gross income
- (9) The minimum amount of working capital required by a concern to enable it to operate at the lowest level of activity is called _____.
(a) Temporary working capital (b) Gross working capital
(c) Permanent working capital (d) Net working capital
- (10) _____ analysis means comparing figures in a financial statement of a single period.
(a) Horizontal (b) Standard (c) Vertical (d) Ratio



- (B) State whether the following statements are true or false. (Attempt any 7) (07)
- (1) There is no difference in non-operating expenses and non- cash expenses.
 - (2) Liquid ratio indicates the ability of the company to meet its long term liabilities.
 - (3) Debt collection period indicates time taken by debtors to settle the account.
 - (4) High bank overdraft means high working capital.
 - (5) Debtor's turnover ratio shows the velocity of debt payment by the firm.
 - (6) The objective of a credit policy is to curtail the credit period allowed to debtors.
 - (7) Depreciation creates a cash flow.
 - (8) Bank loan is a non-quick current liability
 - (9) Adequate working capital ensures credit standing of the firm.
 - (10) Loans given to others are a financing activity.

Q.2 From the following balance sheet of Lion Ltd. Prepare statement of trend analysis(15) in vertical form:

Particulars	2013 (Rs.)	2014 (Rs.)	2015 (Rs.)
Liabilities:			
Equity capital	2,00,000	2,00,000	2,00,000
10% Preference share capital	1,00,000	1,50,000	1,00,000
General reserve	20,000	22,000	42,000
Debentures	75,000	1,00,000	90,000
Creditors	20,000	17,000	34,000
Total	4,15,000	4,89,000	4,66,000
Assets :			
Fixed assets	1,50,000	2,00,000	2,00,000
Investments	1,00,000	1,50,000	1,00,000
Cash	50,000	25,000	40,000
Debtors	70,000	60,000	63,000
Stock	40,000	50,000	60,000
Preliminary expenses	5,000	4,000	3,000
Total	4,15,000	4,89,000	4,66,000

OR

Q.2 Amul ltd provides you their balance sheet for two years to prepare comparative balance sheet. (15)

Liabilities	2013 Rs.	2014 Rs.	Assets	2013 Rs.	2014 Rs.
Equity share capital	1,25,000	1,25,000	Goodwill	50,000	45,000
9% Preference share capital	2,05,000	2,50,000	Plant	1,20,000	2,25,000
Share premium	20,000	25,000	Land & building	1,50,000	1,75,500
Capital reserve	98,000	1,28,000	Furniture	1,32,000	1,40,000
10% Debentures	80,000	1,80,000	Stock	25,000	65,000
Bills payable	20,500	27,500	Investment	60,000	80,500
Bank overdraft	60,000	70,000	Debtors	55,000	95,000
Creditors	83,500	1,10,500	Cash & Bank	30,000	45,000
Total	6,92,000	9,16,000	Short Term Investment	70,000	45,000
			Total	6,92,000	9,16,000



Q.3

Following are the Trading, Profit and Loss Account of S Ltd. for the year ended 31st March, 2014 and a Balance Sheet as on that date: (15)

Dr. Profit and loss account		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening stock	15,500	By Sales	75,000
To Purchases	61,000	By Closing Stock	16,500
To Gross Profit	15,000		91,500
	91,500		
To Administrative Expenses	5,000	By Gross Profit	15,000
To Selling & Distribution Expenses	2,000		
To Interest	1,000		
To Net Profit	7,000		
	15,000		15,000

Balance sheet as at 31-03-14

Liabilities	Rs.	Assets	Rs.
1200 Equity Shares of Rs.50 each	60,000	Fixed Assets	55,000
10% Debentures	10,000	Debtors	10,000
Reserves & Surplus	12,000	Bills Receivable	8,000
Bank Overdraft	3,500	Stocks	16,500
Creditors	16,000	Cash	12,000
	1,01,500		1,01,500

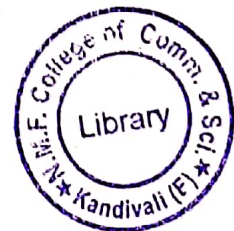
Calculate following ratios from the above information:

1. Current ratio
2. Quick ratio
3. Stock to working capital ratio
4. Gross profit ratio
5. Net profit ratio
6. Stock turnover ratio

OR

Q.3 (a) Identify whether each of the following items would appear in the operating, investing or financing activities section of the statement of cash flows. (08)

1. Issue of equity shares
2. Purchase of equipment
3. Receipt from sale of goods
4. Payments made on salaries to the employees
5. Investments sold
6. Repayment of bank loan
7. Sale of furniture
8. Issue of preference shares



- (b) Excel Ltd provides you their Profit and loss account for two years to prepare comparative Income statement (07)

Dr. Profit and loss account for the two years Cr.					
Particulars	2016 Rs.	2017 Rs.	Particulars	2016 Rs.	2017 Rs.
To opening stock	20,000	25,000	By sales	4,50,000	5,00,000
To purchases	2,20,000	2,30,000	By closing stock	12,000	15,000
To wages	15,000	20,000	By dividend	3,000	4,000
To administration expenses	18,000	16,000			
To selling expenses	22,000	25,000			
To finance expenses	12,000	14,000			
To provision for tax	10,000	12,000			
	4,65,000	5,19,000		4,65,000	5,19,000

- Q.4 Electronic Company Pvt Ltd manufactures and sells radio components from the following particulars you are required to estimate the working capital requirements for the next year (50 weeks). (15)

- (a) The selling price unit will be Rs.15
 (b) The estimated sales are Rs.1, 50,000 for the year.
 (c) The cost per unit is estimated to be:

Particulars	Cost per unit (Rs.)
Materials	5
Labour	3
Overheads	2

- (d) Other information:
 i. Raw materials remain in stock for 3 weeks.
 ii. Materials remain in process for 2 weeks.
 iii. Finished goods remain in warehouse on an average for 2 weeks,
 iv. Credit available from the suppliers of materials is 2 weeks.
 v. Credit allowed to customers is 4 weeks.
 vi. Time lag in payment of labour and overheads is 2 weeks.
 vii. Cash on hand at bank is estimated at Rs.20, 000.
 iii. Operations are expected to be distributed evenly throughout the year.

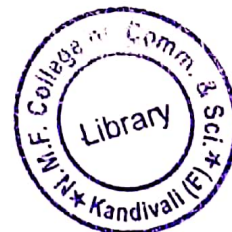
OR

- Q.4 ABC company is currently selling 50,000 units of its product at Rs.50 per unit. At the present level of production, the cost per unit is Rs.40 and variable cost per unit being Rs.30. The company is currently extending one month's credit to its customers. The company is thinking of extending credit period to one and a half month, with the expectation that sales will increase by 25%. If the company's pre-tax required rate of return is 20 percent, is the new credit policy desirable? (15)

- Q.5 (a) Explain the merits and demerits of comparative financial statements. (08)
 (b) Explain the objective of financial management. (07)

OR

- Q.5 Write short notes on (Attempt any 3) (15)
- (1) Types of working capital
 - (2) Balance sheet ratios
 - (3) Use of ratio analysis
 - (4) Trend analysis
 - (5) 5C's of Credit evaluation



---X---