

(2½ Hours)

(Total Marks: 75)

- N.B.:** (1) All question are **compulsory**.
(2) Use **Simple calculator** is **allowed**.

1.A Match The Column (Any 8) :

(08)

| A Column | B Column |
|-----------------------------|--------------------------------------|
| 1) Financial Modeling | A) Financing Activity |
| 2) Gross Profit Ratio | B) Rights out of own creation |
| 3) Higher Current Ratio | C) One Time Contract |
| 4) Highly Liquid Securities | D) Discounted Cash Flow |
| 5) Wind fall gains | E) Computer based Mathematical Model |
| 6) Income Approach | F) Trading Efficiency |
| 7) Yield Value | G) Cash Equivalent |
| 8) Copyrights | H) Overtrading |
| 9) Buyback of shares | I) Pre-conceived notions |
| 10) Valuation Bias | J) Based on FMP |
| | K) Under trading |

1.B True or False (any 7) :

(07)

- EPS shows managerial efficiency in use of resources.
- Issue of Bonus shares affects the cash flow from financing activities.
- Cyclical earnings are not included to calculate sustainable earnings.
- Efficient market hypothesis has no shortcomings.
- Fair value is average of intrinsic value and market value.
- Software is an example of intangible assets
- Prepaid Expenses are included in liquid assets
- Common size statement is a horizontal analysis.
- Cash flow statements is mandatory for all firms.
- Business valuation must be free from speculations.

- 2. A** Dailymoon Ltd. is considering a purchase of a machine, A & B are the two machine available. From the following information, suggest which of the two is recommended under Net Present Value : (15)

| Particulars | Machine A | Machine B |
|------------------------|-----------|-----------|
| Cost of machine | 8,00,000 | 10,80,000 |
| Life | 5 Years | 6 Years |
| Profit After Tax (PAT) | | |
| Year 1 | 28,000 | 30,000 |
| 2 | 28,000 | 60,000 |
| 3 | 80,000 | 80,000 |
| 4 | 90,000 | 80,000 |
| 5 | 45,000 | 40,000 |
| 6 | - | 20,000 |

Cost of capital is to be considered as 10%.

OR

- 2. B** From the following balance sheet of Sunrise Ltd. as on 31-03-2018 and 31-03-2019, (15)
prepare cash flow statement for the year ended 31-03-2019 as per A.S 3 by indirect
method :

| Liabilities | 2018 | 2019 | Assets | 2018 | 2019 |
|----------------------|------------------|------------------|------------------|------------------|------------------|
| Equity share capital | 45,00,000 | 52,50,000 | Land | 15,00,000 | 11,50,000 |
| General reserve | 3,00,000 | 5,00,000 | Machinery | 13,50,000 | 28,70,000 |
| Capital reserve | - | 3,00,000 | Investment | 9,00,000 | 7,00,000 |
| Profit and loss a/c | 3,00,000 | 8,50,000 | Stock | 14,00,000 | 16,00,000 |
| Sundry creditors | 6,00,000 | 9,00,000 | Debtors | 9,00,000 | 13,50,000 |
| Provision for tax | 5,00,000 | 5,50,000 | Bills receivable | 2,45,000 | 2,90,000 |
| Proposed dividend | 3,95,000 | - | Cash/Bank | 3,00,000 | 3,90,000 |
| Total | 65,95,000 | 83,50,000 | Total | 65,95,000 | 83,50,000 |

Additional information:

- During the year machinery was sold for Rs. 2, 00,000 (WDV Rs. 2,25,000).
- During the year depreciation provided on machinery was Rs. 3,00,000.
- Profit on sale on land was transferred to capital reserve.
- Interim dividend paid during the year was Rs. 2,00,000.
- Profit on sales of investment was transferred to general reserve.
- Income tax paid during the year 2019 is Rs. 4,50,000.
- Proposed Dividend for the year 2019 Rs. 4,50,000.

- 3. A** The following are the accounting reports prepared for Reliable Ltd. (15)

Profit and Loss A/c
For the year ended 31st March 2019

| Particulars | Rs. | Particulars | Rs. |
|---------------------------|------------------------|-----------------------|------------------------|
| To Opening Inventory | 2,00,000 | By Sales (all credit) | 6,00,000 |
| To Purchases | 4,10,000 | By Closing inventory | 1,60,000 |
| To Gross Profit c/d | 1,50,000 | | |
| | <u>7,60,000</u> | | <u>7,60,000</u> |
| To Office & Admin Exp | 50,000 | By Gross Profit b/d | 1,50,000 |
| To Selling & Dist Exp | 40,000 | | |
| To Financial Exp | 24,000 | | |
| To Provision For Taxation | 16,000 | | |
| To Net Profit | 20,000 | | |
| Total | <u>1,50,000</u> | Total | <u>1,50,000</u> |

Balance Sheet as on 31st March 2019

| Liabilities | Rs | Assets | Rs |
|---------------------------|-----------------|---------------------|-----------------|
| Equity Share Capital | 1,60,000 | Plant & Machinery | 30,000 |
| Reserves & Surplus | 60,000 | Building | 1,30,000 |
| Profit & Loss A/c | 30,000 | Inventories | 1,60,000 |
| Loan on Mortgage | 50,000 | Trade Receivables | 1,20,000 |
| Trade Payables | 1,74,000 | Cash & Bank Balance | 60,000 |
| Provision for Taxation | 16,000 | | |
| Other Current Liabilities | 10,000 | | |
| Total | 5,00,000 | Total | 5,00,000 |

Name and Calculate the ratios which indicate:

- The Rapidity with which accounts receivable are collected.
 - The ability of company to meet its current obligations.
 - What profitability on capital invested has been attained.
 - The efficiency with which funds represented by inventories are being utilized & managed.
 - The ability of the company to meet quickly demands for payments of amounts due.
 - The Relative importance of Proprietorship and liabilities as source of funds.
- As a financial consultant you are asked to write comments on above ratios.

OR

3. B Financial position of Bluestar Ltd. as on 31st March:

(08)

| Liabilities | 2017 | 2018 | Assets | 2017 | 2018 |
|-------------------------|-------------|-------------|---------------|-------------|-------------|
| Equity Share Capital | 2,00,000 | 2,50,000 | Building | 3,00,000 | 3,20,000 |
| 10% pref. share capital | 2,00,000 | 1,50,000 | Machinery | 1,50,000 | 1,80,000 |
| Reserve fund | 80,000 | 1,00,000 | Furniture | 40,000 | 35,000 |
| Profit and loss account | 1,00,000 | 1,50,000 | Investment | 1,00,000 | 1,50,000 |
| 12% debentures | 2,00,000 | 3,00,000 | Stock | 1,50,000 | 2,00,000 |
| Creditors | 1,00,000 | 1,20,000 | Debtors | 1,00,000 | 1,20,000 |
| Bank overdraft | 50,000 | 20,000 | Bank balance | 90,000 | 85,000 |

From the above information of Bluestar Ltd. as at 31st March 2017 and 2018 you are required to prepare comparative statement, after rearranging in suitable form for analysis.

3.C Following information is extracted from the records of MG Ltd. For the year ended 31st March (07)

| Particulars | 2018 | 2019 |
|----------------------|-------------|-------------|
| Sales | 9,00,000 | 16,20,000 |
| Cost of goods sold | 6,00,000 | 10,80,000 |
| Sales volume (units) | 60,000 | 90,000 |

Account for changes in profit due to changes in volume, cost and selling price.

4.A The Balance sheet of Angel Ltd is as follows

(15)

Balance sheet as on 31st March 2019

| Liabilities | Rs. | Assets | Rs. |
|---------------------------|-----------------|---------------------|-----------------|
| Equity share capital | 3,00,000 | Goodwill | 30,000 |
| Capital Reserve | 60,000 | Land & Building | 1,90,000 |
| Profit & Loss A/c | 26,000 | Machinery | 1,20,000 |
| Trade Payables | 1,26,000 | Inventories | 1,15,000 |
| Other Current Liabilities | 45,000 | Trade Receivable | 95,000 |
| | | Cash & Bank Balance | 7,000 |
| Total | 5,57,000 | Total | 5,57,000 |

This Company's business is to be purchased by Maria Ltd. You are required to value the Goodwill of the company, after taking into account the following information:

1. The Reasonable Return on capital employed is 12 % for the company.
2. The Company's average profit of the last 5 years after making Provision for tax at 50% amounted to Rs. 95,000
3. The Present Market value of Land & Building is Rs. 2,20,000
4. The other assets are to be taken at their book values.
5. The Directors of Angel limited (two in numbers) are to be appointed on the Board of Directors of Maria Ltd. The worth of their services is (and will be paid in future), Rs. 10,000 p.a. for each Directors, but no change has been made, regarding this, against the profits of Angel Ltd.
6. The Goodwill of Angel Ltd. Is to be taken at four years purchase of super profits of the company.

OR

4.B Answer the Following :

- 1] Explain The different methods of valuating goodwill
- 2] What is Growth analysis and explain its features

(08)

(07)

5.A Explain What are the purpose of Business valuation.

(08)

5.B What are the essential characteristics of Investment?

(07)

OR

5.C Short Notes (Any 3) :

(15)

- 1] Financial Modeling
- 2] Cash Flow from financing activities
- 3] Valuation of Real Estate
- 4] Inventory Turnover Ratio
- 5] P/B Ratio