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Q.P. Code :22502

[Time: Three Hours]

[Marks: 100]

- N.B:
1. All question are compulsory.
  2. Figure to the right indicates full marks.
  3. Working should form part of your answer.
  4. Simple calculator is allowed.

Q.1 A) Select the most appropriate answer: (Any ten)

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1. Goodwill is an \_\_\_\_\_ asset.
  - a) Fictitious
  - b) Intangible
  - c) Tangible
  - d) Current
2. Operating Ratio is an indicator of \_\_\_\_\_.
  - a) Operating efficiency
  - b) Production efficiency
  - c) Sales efficiency
  - d) None of the above
3. \_\_\_\_\_ is an item of current liability.
  - a) Unsecured Loans
  - b) Cash Balance
  - c) Bank Overdraft
  - d) Bank Balance
4. The capital required to finance day to day activities of the business is known as \_\_\_\_\_.
  - a) Fixed Capital
  - b) Working Capital
  - c) Proprietors Capital
  - d) None of the above
5. Assets which can be converted into cash within one year are \_\_\_\_\_.
  - a) Fixed Assets
  - b) Fictitious Assets
  - c) Current Assets
  - d) None of the above
6. In Common Size Income Statement Analysis \_\_\_\_\_ is assumed to be hundred.
  - a) Gross Sales
  - b) Net profit
  - c) Operating profit
  - d) None of the above



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7. Operating Cost Ratio is a \_\_\_\_\_
  - a) Balance Sheet Ratio
  - b) Revenue Statement Ratio
  - c) Composite Ratio
  - d) None of the above
8. Current Assets ₹ 1,80,000, Current Liabilities ₹ 90,000. The amount of Working Capital is \_\_\_\_\_
  - a) ₹ 90,000
  - b) ₹ 1,80,000
  - c) ₹ 2,70,000
  - d) None of the above
9. Comparison of performance of a company over a period of time on the basis of base year is known as \_\_\_\_\_
  - a) Cost Benefit Analysis
  - b) Comparative Analysis
  - c) Trend Analysis
  - d) Common Size Analysis
10. To calculate the cash cost of working capital debtors are \_\_\_\_\_
  - a) Not considered
  - b) Considered at cost
  - c) Considered at realisable value
  - d) None of the above.
11. Capital Budgeting decisions involve decisions relating to \_\_\_\_\_
  - a) Financing day to day activities
  - b) Acquisition of fixed assets
  - c) Both a & b
  - d) None of the above
12. \_\_\_\_\_ are the techniques of Capital Budgeting.
  - a) Payback Period
  - b) Accounting Rate of Return
  - c) Net Present Value
  - d) All of the above

**Q.1 B) State whether the following statements are True or False (Any Ten)**

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1. Net Working Capital means Total Current Assets.
2. The amount of working capital over and above the permanent working capital is temporary working capital.
3. Operating cycle = Raw materials + Work in Progress + Finished Goods + Debtors - Creditors.
4. Cash flow and Accounting Profit are different.
5. There is a time element involved in Capital Budgeting.
6. Capital Budgeting decisions are long term decisions.



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7. Liquid Ratio is used to determine the company's long term solvency.
8. A higher Debt Equity Ratio indicates a safer financial position of the company.
9. Outsiders contribution is not included in Proprietors Fund.
10. Revenue Statement indicates operating performance of a company.
11. In Trend Analysis, the trend of each item is calculated on the basis of sales of the Base Year.
12. Owners Fund and Borrowed Fund are two constituents of Total funds of a company.

Q.2 A) From the following details of A Ltd. prepare a Comparative Balance Sheet in vertical form suitable for analysis. 08

M/s A Ltd.

Particulars	Amount (₹) 31/03/2016	Amount (₹) 30/03/2017	Amount of change(₹) (+)↑ / (-)↓	% of change (+)↑ / (-)↓
Share capital	6,50,000	?	40,000	?
Reserve & surplus	2,50,000	2,00,000	?	?
Debentures	1,50,000	?	(-)50,000	?
Current Assets	?	3,00,000	40,000	?
Long term Investment	?	?	10,000	10
Current Liabilities	?	2,00,000	(-)10,000	?
Fixed Assets	?	?	?	?

Q.2 B) From the following details of B Ltd. prepare Commonsize Statement in vertical form suitable for analysis. 07

M/s B Ltd.

Balances for the year ending on 31<sup>st</sup> March, 2017

Particular	(₹)
Sales	8,33,000
Return Inward	3,000
Carriage Inward	4,150
Purchases	5,39,500
Opening stock	8,300
Closing stock	14,940
Office Expenses	99,600
Selling Expenses	1,49,400
Finance Expenses	41,500

OR



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Q.2 From the following Income Statements of Y Ltd. prepare the Trend Income Statement in vertical form suitable for analysis. 15

Particulars	31.03.2014 (₹)	31.03.2015 (₹)	31.03.2016 (₹)	31.03.2017 (₹)
Sales	75,000	90,000	1,08,000	1,29,600
Less : Cost of Goods Sold	<u>48,000</u>	<u>57,000</u>	<u>69,000</u>	<u>84,000</u>
	27,000	33,000	39,000	45,600
Less : <u>Operating Expenses</u>				
Selling Expenses	7,500	9,000	6,000	12,960
Establishment Expenses	4,500	5,250	10,800	6,750
Interest on Loan	4,500	6,000	7,500	9,000
Depreciation	<u>7,500</u>	<u>6,750</u>	<u>9,000</u>	<u>9,750</u>
Profit before tax	3,000	6,000	5,700	7,140
Less: Provision for Income Tax	<u>1,200</u>	<u>3,000</u>	<u>2,775</u>	<u>3,600</u>
Profit after tax	<u>1,800</u>	<u>3,000</u>	<u>2,925</u>	<u>3,540</u>

Q.3 Following is the Trading, Profit & Loss Account of X Ltd. for the year ended 31<sup>st</sup> March, 2017. 15

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening stock	54,300	By Sales	8,00,000
To Purchases	3,27,150	By Closing stock	44,000
To Carriage Inward	8,550	By Interest on Investments	5,400
To Office Expenses	90,000		
To Sales Expenses	27,000		
To Administration Expenses	12,000		
To Interest	8,000		
To Depreciation on Plant & Machinery	2,000		
To Depreciation on other Fixed Assets	2,000		
To Provision for Income Tax	16,000		
To Loss on Sale of Fixed Assets	2,400		
To Net Profit	3,00,000		
	<u>8,49,400</u>		<u>8,49,400</u>

Calculate the following ratios:

1. Gross Profit Ratio
2. Administration Expense Ratio
3. Selling & Distribution Expense Ratio
4. Operating Expense Ratio
5. Operating Cost Ratio
6. Net Profit Before Tax Ratio
7. Stock Turnover Ratio

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Q.3 Following is the Balance Sheet of Z Ltd., as on 31<sup>st</sup> March 2017.

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Liabilities	₹	Assets	₹
Equity Share Capital	3,50,000	Fixed Assets	2,50,000
9% Preference Share Capital	50,000	Investments	50,000
General Reserve	15,000	Stock	75,000
Profit & Loss Account	45,000	Debtors	1,20,000
10% Debentures	50,000	Cash	90,000
Provision for Tax (Current year)	20,000		
Sundry Creditors	55,000		
	<b>5,85,000</b>		<b>5,85,000</b>

Other Details for 2016-17:

- 1) Sales ₹ 6,00,000 (80% on Credit basis)
- 2) Profit Before Tax ₹ 50,000

Calculate the following ratios:

1. Current Ratio
2. Capital Gearing Ratio
3. Debtors Turnover Ratio
4. Return on Proprietors Fund
5. Return on Capital Employed
6. Stock Working Capital Ratio
7. Net Profit After Tax Ratio

Q.4 Q. Ltd. is considering the purchase of a machine. Two machines Alpha &amp; Beta are available. 15 From the following details calculate:

1. Pay Back Period
2. Net Present Value @ 10% Discount Factor

Year	Cash Inflows (₹)		P.V. @ 10% (of ₹ 1)
	Machine Alpha	Machine Beta	
1.	85,000	75,000	0.909
2.	87,000	97,000	0.826
3.	90,000	1,27,000	0.751
4.	92,000	1,48,000	0.683
5.	1,00,000	98,000	0.621
6.	1,22,000	96,000	0.564
7.	1,00,000	90,000	0.513
8.	78,000	70,000	0.467
Cost of machine	₹ 2,88,000	₹ 3,33,000	
Scrap Value	₹ 8,000	₹ 3,000	

Also advise which machine will be selected applying the above methods.

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- Q.4 R Ltd has the option of selecting Machine A or Machine B. Calculate the Annual Rate of Return on Average Investment from the following details and advise which machine should be selected. 15

Year	Net Earnings Before Tax (₹)	
	Machine A	Machine B
1	1,10,000	1,15,000
2	1,20,000	1,30,000
3	1,50,000	1,55,000
4	2,10,000	2,15,000
5	2,30,000	2,55,000
6	2,40,000	2,85,000
7	2,00,000	2,20,000
Cost of the Machine	₹1,85,000	₹2,10,000
Scrap Value	₹ 5,000	₹10,000
Tax Rate	30%	30%

- Q.5 You are required to prepare a statement showing the requirement of working capital of S Ltd. 15  
Forecast level of activity is 52,000 units for the year 2016-17 (52 weeks)

**Cost Structure :**

Particulars	Cost per unit(₹)
Raw Materials	400
Direct Labour	150
Manufacturing Overheads	200
Selling & Distribution Overheads	100
	850

**Additional Information:**

- Selling Price ₹ 1,000 per unit.
- Raw material in stock - average 4 weeks.
- Credit allowed by suppliers - average 4 weeks.
- Expected Cash Balance - ₹ 50,000.
- Work in process - average 4 weeks.
- Credit allowed to customers - average 8 weeks.
- Finished goods in stock - average 4 weeks.
- All sales are on credit basis.
- Debtors are to be valued at selling price.
- All activities are evenly spread during the year.

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Q.5 From the following details of K Ltd., prepare a statement of working capital requirements for 15 the year ending 31<sup>st</sup> March 2017.

1. It is anticipated that production and sales during the year would be 5,000 units.
2. The Selling Price will be ₹ 200 per unit.
3. The expected elements of cost to Selling Price would be

Raw Materials	60%
Wages	10%
Overheads	15%
4. Raw material will be carried in stock equal to 3 weeks consumption.
5. The Finished Goods will be carried in stock equal to 6 weeks production.
6. 70% of sales will be on credit and credit period would be on an average 6 weeks.
7. The suppliers of raw materials will give credit of 3 weeks.
8. Time lag in payment of wages and overheads will be 3 weeks.
9. Cash & Bank Balance will be maintained at ₹ 25,000.
10. Debtors are to be valued at selling price.
11. Company works for 50 weeks in a year.
12. All activities are evenly spread during the year.

Q.6 Answer the following.

- A) What is working capital ? Explain the factors determining working capital requirements. 10
- B) Explain all Balance Sheet Ratios. 10

OR

Q.6 Write Short Notes on : (Any four)

- i) Classification of Current Assets
- ii) Common Size Financial statements
- iii) Gross Profit Ratio
- iv) Accounting Rate of Return Method
- v) Gross Working Capital and Net Working Capital
- vi) Features of Capital Budgeting decisions.

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