

Q.P. Code: 25323

Total Marks: 75

[2Hrs 30Mins]

Instructions:

1. All questions are compulsory subject to internal choice.
2. Working notes form part of your answer.
3. Use of simple calculator is permitted.

Q.1.a) State whether the following statements are true or false. (Any 8) (8)

1. Sales – cost of goods sold = net profit.
2. Contingent liabilities do appear in the balance sheet.
3. Stock turnover ratio is a composite ratio.
4. Bank overdraft is not considered while calculating Debt- Equity Ratio.
5. In the absence of specific instructions while calculating work-in-progress it is assumed that labour and overheads occur evenly.
6. If wages are paid at the beginning of every month for the previous month then the period of lag in payment of wages is one month.
7. Dividends are cash flows returned to the shareholders.
8. Investors are risk averse.
9. Hybrid dividend policy is a combination between the residual and stable dividend policy.
10. Adequate working capital ensures credit standing of the firm.

b) Multiple Choice Questions: (Any 7) (7)

1. _____ is not considered as intangible assets.
a) Loose Tools b) Patents c) Trademarks
2. If profit before Tax Ratio is 25% and the company is subject to income tax rate of then the profit after tax ratio will be _____.
a) 7.5% b) 32% c) 24.5% d) 17.5%
3. Current Ratio serves as an index of _____ solvency.
a) long- term b) short- terms c) immediate
4. Estimation of working capital deals with expected net investment in _____.
a) Current assets b) Fixed assets c) Current Liabilities
5. If EPS of the firm is Rs. 10 and retention is 0% the dividend payout would be.
a) 10 b) 0 c) 5 d) non of the above
6. What is the percentage yield on shares of face value Rs. 10 purchased at Rs. 20 which pay a dividend of 20%
a) 10% b) Rs.2 c) Rs.4 d) 20%
7. The cost of _____ capital is the highest.
a) Equity b) Preference c) Debt d) International
8. SEBI Act was passed in the year _____.
a) 1956 b) 1988 c) 1992 d) 1947
9. The terms underwriting was derived from _____.
a) Insurance b) Banking c) capital Market d) Companies Act
10. Which of the following is an item of current liability?
a) Bank Balance b) Bank overdraft c) Cash Balance d) Unsecured loans

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Q.2 From the following information calculate:

(15)

- Return on capital employed.
- Debtors turnover ratio (In times)
- Stock-working capital ratio
- Net Profit Ratio (After Tax)
- Proprietary ratio (On the basis of total fund)

Some of relevant balances as on 31stMarch, 2017 are given below:

Particulars	(Rs.)
Equity share capital	2,00,000
6% preference share capital	1,00,000
8% debentures	1,50,000
Debtors	18,000
Creditors	15,000
Cash in hand	20,000
Bills receivable	12,000
Bank overdraft	8,000
Reserves and surplus	43,000
Closing stock	32,500
Provision for taxation	35,000
Proposed dividends	10,000

Other information for the year 2016-17.

Particulars	(Rs.)
Sales	10,00,000
(-) Cost of sales	7,50,000
Gross Profit	2,50,000
(-) Expenses	1,00,000
Net profit before tax	1,50,000

OR

Q.2 (A) Given below are some of the information of Mumbai Ltd. as on 31stMarch, 2017

(8)

Particular	(Rs.)
Debtors	30,000
Outstanding manufacturing expenses	17,000
Cash balance	23,000
Bills payable and creditors	38,000
Machinery (Imported)	30,000
Income earned but not received	6,000
Bank overdraft	15,000
Bills receivable	7,000
Prepaid traveling expenses	4,000

Using above data, calculate the current ratio and liquid ratio, and comment on it.

(B) Calculate the return on capital employed and the return on proprietors fund from the following information. **(7)**

Particulars	(Rs.)
Equity capital	3,00,000
General reserve	4,00,000
Profit and loss A/C	1,50,000(Credit)
Sundry creditors	2,00,000
Operating profit	3,50,000(Before interest and tax)
Long-term loan	2,00,000 (At 12% per annum interest)

Tax rate is 30%.

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Q.3 Dynamic Company plans to manufacture and sell 400 units of domestic appliances per month at price of Rs. 600 each for the colander year 2017. The ratio of cost of selling price is as follows: (15)

Particulars	% of selling price.
Raw material	30
Packing material	20
Direct labour	15
Direct expenses	5

Stock was maintained as per following:

Particular	
Raw material	30 Days
Packing material	15 Days
Work in progress	7 Days
Finished goods	200 units

Following additional information is given:

- Credit sales represent 80% and customers enjoy 30 working days credit. Balance 20% is cash sales.
 - Creditors allowed 21 working days credit for payment.
 - Lag in payment in overhead and Labour 15 working days.
 - Cash requirement to be 12% of net working capital
 - Working days in a year are taken as 300.
- Prepare working capital requirement for the year 2017.

OR

You are required to prepare a statement showing the working capital required to finance the level of activity of 12,000 units per year from the following information: (15)

- Raw materials are in stock on an average for 2 months.
- Materials are in process on an average for half a month.
- Finished goods are in stock on an average for month.
- Credit allowed by the suppliers is 1 ½ months of raw materials and credit allowed to the customers is 2 ½ months.
- Lag in payment of wages and an overhead is one month.
- Cash and bank balance is expected to be 10% of net working capital before considering the cash and bank balance.
- Activities are spread evenly throughout the year:

Particulars	
Raw material	Rs. 10
Wages	Rs. 5
	Rs. 30

Profit is 20% on selling price.

Q.4 Following information is available relating to Quick Ltd. and Slow Ltd. (15)

(Rs. In lakhs)

Particular	Dena Ltd.	Lena Ltd.
Equity Share Capita (Rs. 10 face value)	400	500
12% Preference Shares	160	200
Profits after Tax	100	140
Proposed Dividend	70	80
Borrowed Fund 15% Debentures	600	1000
Market Price Per Share	Rs. 100	Rs.140

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Calculate:

- (a) Earnings per share (b) P/E ratio (c) Dividend pay-out ratio (d) Return on Equity shares (e) Debt equity ratio
(f) Interest coverage ratio.

Assuming Net Profit Ratio of 10%.

Comment on the Dividend Policy of the companies.

As an analyst inform the investor which of the two companies are worth investing.

OR

Q4. A) From the information furnished below details regarding Stock Splits are given calculate the Revised Number of Shares and Share Capital - (8)

Sr.No	Name of Company	Share Capital	Stock Split to (Value per share)	Face Value
1.	Avinash	5,00,00,000	20	100
2.	Sandesh	10,00,00,000	50	100
3.	Nilesh	5,00,00,000	10	100
4.	Raju	20,00,00,000	50	100
5.	Bhavesh	5,00,00,000	2	10
6.	Shubham	10,00,00,000	3	10
7.	Sachin	5,00,00,000	5	10
8.	Anil	15,00,00,000	6	10

Q4. B) Calculate Dividend Payout Ratio from the following data and advise which company is feasible for Investment from shareholders point of view (7)

Particulars	Sangeeta Ltd	Kinjal Ltd
Net Profit	Rs 18,75,000	Rs 50,00,000
Provision for Tax	25% of Net Profit	25% of Net Profit
Preference Dividend	Rs 4,06,250	Rs 6,25,000
No of equity shares	2,50,000	4,37,500
Total Equity Dividend	Rs3,75,000	Rs 8,75,000

Q.5 a) Discuss the various theories of explaining Dividend Policy of the Company. (8)

b) "ROI is not an adequate measure for judging the financial performance of a business undertaking." (7)

Comment.

OR

Short Notes (any 3)

1. Shareholders Fund
2. Sources of Working capital
3. Important of Balance sheet Ratio.
4. Factors Affecting Dividend Policy.
5. Free Reserve
