

103

Total marks: 75

Duration: 2.5 Hours.

Figures to the right indicate marks.

All Questions are compulsory.

Q.1. (a) Match the columns

(Any 8)

(8)

- | | | |
|-------------------------|---|-----------------------------|
| 1. Fictitious Assets | - | Dividend Policy |
| 2. Disclosure. | - | Ignored in Working capital. |
| 3. Pure ratio | - | Working capital financing. |
| 4. Debtors velocity | - | CA-CL= 0 |
| 5. Accrual Concept | - | Current ratio |
| 6. Liquid Ratio | - | Turnover Ratio |
| 7. Zero Working capital | - | Accounting convention |
| 8. Matching approach. | - | Numerical Answer |
| 9. Depreciation | - | Accounting Concept |
| 10. M-M Approach | - | Preliminary expenses |

Q.1(b) State whether the following statements are true or false. (Any 7)

(7)

- Working capital Requirement is high when supply of raw material is low.
- View point of various investors may vary related to present cash dividends.
- Liquidity has almost nil effect on dividend policy.
- Bonus shares can be issued in lieu of dividend.
- A conservative dividend policy is necessary or having good accumulation of retained earnings
- Stock split is an issue of shares of smaller denomination instead of large denomination.
- Dividend paid to all shareholders is always reinvested by all shareholders.
- In actual scenario, company has no external financing apart from retained earnings.
- Window dressing refers to the art of showing the better position of the organization than its actual one.
- A controller is responsible to control the flow of financial resources of an organization.

Q.2. Prepare an estimated working capital statement and operating cycle from the below data given.

(15)

Krishna kingdom Company manufactures 120000 units per annum and earns profit of Rs.15 per unit.

Cost structure: (Rs. Per unit.)

Raw Material = Rs. 40

Labour = Rs. 15

Overheads = Rs. 30

- Raw material remains in stock for 1 month.
- Processing period = $\frac{1}{2}$ month.
- Finished goods remain in stock for 1 month.
- Credit allowed by suppliers is 1 month.
- Time lag in payment of wages is 1.5 months and overheads = 1 month.
- Cash balance is rs. 12,000.
- Customers are given credit of 1 month
- Assume that production is carried out evenly throughout the year.

OR

Q.2. Following is the information of ABC foods company ltd. Prepare an estimated working capital for the same. (15)

Total production for the year = 78,000 units.

Cost structure (Rs. Per unit.)

Raw material = Rs. 40

Wages = Rs. 20

Overheads = Rs. 30

Profit = Rs. 30

1. Raw material remains in stock for 8 weeks.
2. Processing period is 2 weeks.
3. Finished goods remain in stock for 10 weeks.
4. Customers are given credit for 9 weeks.
5. Suppliers give us credit for 8 weeks.
6. Time lag in payment of wages and overheads is 4 and 2 weeks respectively.
7. Cash Balance = Rs. 1,05,000.
8. Assume 52 weeks in a year.

Q.3. From the below balance sheet and other information prepare only vertical balance sheet

Calculate the following ratios:

(15)

Acid Test Ratio, Stock Turnover ratio, Capital gearing ratio, Return on capital employed.,

Proprietary ratio

LIABILITIES	AMT(RS.)	ASSETS	AMT (RS.)
Equity Share capital	1,00,000	Machinery	2,96,000
General Reserve	70,000	Investment	1,12,000
Preference share	1,80,000	Stock in trade	1,01,000
Debentures	1,20,000	Bills receivable	20,000
Trade payables	1,22,000	Trade receivables	49,000
Bank overdraft	20,000	Cash	38,000
Provision for tax	18,000	P/L acc.	14,000

Sales= Rs. 7,00,000, Gross profit =25%, opening stock = Rs. 1,09,000 Profit Before tax= Rs. 2,10,000

OR

Q.3.(A) From the following particulars, prepare a vertical Balance sheet of "Heera Co.Ltd." and calculate Current ratio (8)

LIABILITIES	AMT(RS.)	ASSETS	AMT (RS.)
Equity share capital	2,00,000	Building	6,00,000
Preference share capital.	6,00,000	Land	2,00,000
Reserves and Surplus	4,00,000	Plant & Machinery	6,00,000
Debentures	2,00,000	Stock	4,00,000
Creditors	3,00,000	Cash	2,00,000
Bills payable	1,00,000		
Provision for Tax	2,00,000		

Q.3 (B) From the following information, calculate Gross profit, Stock Turnover ratio, Net profit before tax ratio, Operating ratio, Office expenses ratio. (Vertical statement not required) (7)

Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
Opening stock	27150	Sales	255000
Purchases	163575	Closing stock	42000
Carriage inward	4275	Interest received	2700
Office expenses	45000	Net profit	45000
Selling expenses	13500		
Loss on sale of Asset	1200		

Q.4. From the following details of 3 companies calculate Value of share for each company applying Walter's model when dividend payout is 1. 50% and 2. 75%. (15)

Particulars	ABC Co.	PQR Co.	XYZ Co.
Internal rate of Return	15%	5%	10%
Cost of Equity	10%	10%	10%
EPS	Rs. 8	Rs. 8	Rs. 8

OR

Q.4 (B)

(8)

LIABILITIES	AMT (Rs.)	ASSETS	AMT (Rs.)
Share Capital (10,000 shares of rs. 10 each) (Rs. 8 Paid up)	80,000	Sundry Assets	1,26,000
Reserves and Surplus:			
General Reserve	2000		
Capital redemption Reserve	4000		
P/L Account	40000		

Proposal-I

Making the partly paid up shares as fully paid up.

Proposal -II

Issue 1,000 fully paid up shares of Rs. 10 each to the existing share holders. For this Profit and Loss should be utilized at minimum extent.

Prepare a new balance sheet showing effect of both proposals.

Q.4. Calculate the revised share capital for the following companies. (7)

Company	Existing total share capital	Proportion of Equity Capital to preference capital	Bonus ratio
A	750,000	3:2	1:1
B	25,00,000	2:1	1:1
C	25,00,000	1:1	2:1
D	25,00,000	3:1	2:1

Q.5. (A) Explain any 3 tools of management accounting

Q.5. (B) Explain factors determining the dividend policy.

(8)

(7)

OR

Q.5. Write short notes on any 3 out of 5.

(5 MARKS EACH)

(15)

1. Treasurer
2. Social Wealth
3. Liquid ratio
4. Working capital management
5. Four-part theory.
