

24/10/24

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(3 Hours)

Marks: 100

- N.B:** 1) Check whether you have received the correct question paper.
2) All questions are compulsory with internal options.
3) Q.1 & Q.6 carry 20 marks and Q.2 to Q.5 carry 15 marks each
4) Working notes form a part of the answer and have to be solved Immediately after the question and not on the last page of the answer sheet.

Q.1) A) Select the correct answers from the options given below. (Any 10) (10)

1. The basic objective of financial management is _____
 - a. Maximization of profit
 - b. Maximization of shareholder's wealth
 - c. Ensuring financial discipline in the organization
 - d. None of the above
2. In the Notes of Fixed Assets of a company _____
 - a. Net Block Opening = Closing Net Block – Opening Depreciation
 - b. Net Block Opening = Opening Gross Block – Closing Depreciation
 - c. Net Block Opening = Opening Gross Block – Current Depreciation
 - d. Net Block Opening = Opening Gross Block – Opening Depreciation
3. Following is not a quick liability
 - a. Unclaimed Dividends
 - b. Public Deposits
 - c. Bank Overdraft
 - d. Advances Received
4. Loss on Sale of Fixed Assets _____
 - a. Is ignored in the vertical financial statements
 - b. Is shown as non-operating expenditure in the vertical financial statements
 - c. Is shown as operating expenditure in the vertical financial statements
 - d. Is shown as cost of goods sold in the vertical financial statements
5. Which of the following is not a method used in analyzing financial statements?
 - a. Ratio analysis
 - b. Technical analysis
 - c. Trend analysis
 - d. Common size statements
6. Gross profit ratio _____
 - a. Balance sheet ratio
 - b. Revenue statement ratio
 - c. Composite ratio
 - d. None of the above

7. Standard current ratio _____
 - a. 2 : 1
 - b. 1 : 1
 - c. 65%
 - d. 1.33
8. Quick assets is equal to _____
 - a. Current assets – (Stock – prepaid expenses)
 - b. Current assets – (Stock + prepaid expenses)
 - c. Current assets + (stock – prepaid expenses)
 - d. Current assets + (stock + prepaid expenses)
9. Commercial paper is a type of _____
 - a. Fixed coupon bond
 - b. Unsecured short term debt
 - c. Equity share capital
 - d. Government bond
10. The type of collateral (security) used for short term loan is _____
 - a. Real estate
 - b. Plant and Machinery
 - c. Stock of good
 - d. Equity share capital
11. Short term deposits will be shown in the cash Flow statement as _____
 - a. Operating cash flow
 - b. Investing cash flow
 - c. Financing cash flow
 - d. Cash or cash equivalent
12. Redemption of debentures by converting them into equity shares Rs. 40000
 - a. Cash outflow
 - b. Cash inflow
 - c. None of the above
 - d. Both a and b

Q.1) B) State whether the following statements are True or False (Any 10)

(10)

1. Profit maximization is the sole objective of financial statement.
2. Capital profit realized in cash can be used for paying dividend.
3. Dividend can be paid out of capital, but interest cannot be paid out of capital.
4. Owed fund is an internal source of finance.
5. Common size statements are used for both horizontal and vertical analysis.
6. In capital gearing ratio, Pref. share capital forms part of the Denominator.
7. Liquidity and efficiency are used synonymously in ratio analysis.
8. A business with a higher working capital will also have a higher current ratio.
9. Credit purchase can be a good source of short term finance.
10. In India, commercial papers can be issued for any amount and for any duration.
11. Loans given to others is a financing activity.
12. Increase in current assets will always result in inflow of cash.

Q.2) M.K Ltd. ask you to prepare Statement of Profit and Loss for the year ending on 31.03.2023 and the Balance Sheet as on that date in prescribed form(as per schedule III). The Trial Balance of the company as at 31st March 2023 was as follows: (15)

Trail Balance as on 31.03.2023

Particulars	Dr. (Rs)	Cr (Rs)
Equity Share Capital (Shares of Rs. 10 each)		300000
Securities Premium		40000
General Reserve		56000
6% Debentures		20000
Land and Building	160000	
Plant and Machinery	272000	
Investment (Long Term)	40000	
Stock (31.03.2023)	28000	
Balance at Bank	9200	
Cash in Hand	320	
Profit and Loss Account (Cr.) 01.04.2022		10000
Sundry Creditor		24000
Income Tax Deducted at Source	480	
Administrative Expenses	20800	
Rent and Taxes	960	
Debentures Interest	600	
Audit Fees	1200	
Director Fees	2400	
Sundry Expenses	3480	
Dividend (Gross)		4480
Gross Profit		84960
Total	539440	539440

Additional Information:

1. Authorized Capital of the company is Rs. 400000
2. Depreciation is to be provided 5% on Land and Building and 15% on Plant and Machinery
3. Provision for Taxation to be made at 50% of Net Profit
4. Transfer Rs. 400 to General Reserve
5. Ignore previous year's figures
6. All amounts are in thousands.

OR

Q.2) Following is the Balance Sheet of Zee Ltd. as on 31st March 2023

(15)

Liabilities	Amount	Assets	Amount
General Reserve	215000	Stock	148750
Bank Overdraft	91000	Plant and Machinery	551250
10% Debentures	134750	Prepaid Expenses	12250
14% Pref. Share Capital	175000	Goodwill	135000
Equity Share Capital	450000	Advance Tax	85750
Bills Payable	79050	Bills Receivable	43750
Profit and Loss Account	230000	Bank	49000
Sundry Creditors	182000	Preliminary Expenses	52500
Income Received in Advance	17500	Debtors	214100
Accumulated Depreciation			
- On Land & Building	52500	Land and Building	440000
- On Plant & Machinery	131250		
Share Premium	85250	Patents	110950
Total	1843300	Total	1843300

You are required to rearrange the Balance Sheet in Vertical Form.

Q.3) Prepare a Comparative Revenue Statement in Vertical Form from the following details: (15)

Nilkamal Ltd.

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

Particulars	2022	2023	Particulars	2022	2023
To Opening Stock	225000	300000	By Sales	4500000	6000000
To Purchases	2250000	3210000	By Closing Stock	300000	360000
To Interest on Debentures	150000	150000	By Dividend	12000	39000
To Depreciation:					
- Furniture	15000	15000	By Profit on Sale of Machinery	24000	---
- Machinery	36000	30000			
To Administration Exp.	294000	441000			
To Selling Expenses	456000	753000			
To Carriage Outward	75000	315000			
To Loss by Fire	----	15000			
To Wages	195000	300000			
To Provision for Tax	570000	435000			
To Net Profit	570000	435000			
Total	4836000	6399000	Total	4836000	6399000

OR

Q.3) From the following Balance Sheet, prepare vertical Balance Sheet which is suitable for analysis & calculate Trend percentages taking 2021 as base year. (15)

Balance Sheet as at 31st December

Particulars	2023	2022	2021
Share Capital	50000	50000	50000
Reserves and Surplus	5000	10000	10000
Secured Loan	3000	5000	5000
Unsecured Loan	2000	-	6000
Current Liabilities	5000	5000	4000
Total	65000	70000	75000
Fixed Assets (Net)	40000	45000	50000
Investment	5000	7500	10000
Stock	7000	6000	5000
Debtors	10000	9000	7000
Cash	3000	2500	3000
Total	65000	70000	75000

Q.4) calculate the following ratios:

- a) Current Ratio b) Stock Turnover Ratio c) Liquid Ratio
 d) Debt Equity Ratio e) Gross Profit Ratio f) net Profit Ratio
 g) Capita gearing ratio

(15)

Balance Sheet as at 31st March 2024

Liabilities	Amount	Assets	Amount
Bills Payable	25000	Fixed Assets	125000
Sundry Creditors	50000	Sundry Debtors	50000
Debentures	100000	Bank Balance	25000
Reserves	50000	Inventory	125000
Equity Share Capital	50000		
Preference Share Capital	50000		
Total	325000	Total	325000

Profit and Loss Account for the year ended 31st March 2024

Particulars	Amount	Particulars	Amount
To Opening Inventories	75000	By Sales	500000
To Purchases	150000	By Closing Inventories	125000
To Manufacturing Expenses	50000	By Profit on Sale of Shares	25000
To Direct Wages	100000		
To Administrative Expenses	25000		
To Selling Expenses	25000		
To Loss on Sale of Asset	27500		
To Interest on Debentures	5000		
To Net Profit	192500		
Total	650000	Total	650000

OR

Q.4) Following are the Balance Sheets of X Ltd. and A Ltd. as on 31st March 2024 together with supplementary information for the year ended on that date: (15)

Balance Sheet as on 31st March 2024

Liabilities	X Ltd.	A Ltd.	Assets	X Ltd.	A Ltd.
Paid up Share Capital	200000	350000	Goodwill	30000	50000
Reserves	50500	60000	Building	120000	240000
Profit and Loss A/c	12250	102200	Plant and Machinery	29000	42000
Bank Overdraft	11250	14800	Stock	66000	93000
Sundry Creditors	36000	58000	Debtors	85000	175000
Provision for Taxation	20000	15000			
Total	330000	600000	Total	330000	600000

Additional Information:

Particulars	X Ltd.	A Ltd.
Sales for the year	840000	1050000
Stock on 31 st March 2023	60000	107000
Gross Profit	210000	250000

You are required to compute the following ratios of both companies –

- a) Current Ratio b) Liquid Ratio c) Proprietary Ratio
d) Stock Turnover Ratio e) Debtors Turnover Ratio in no. of times

Q.5) Following are Summary Balance Sheets of Z Ltd. as on 31st March 2022 and 31st March 2023 (15)

Liabilities	31.03.22	31.03.23	Assets	31.03.22	31.03.23
Share capital	1000000	1000000	Land & Building	1000000	950000
General Reserve	300000	300000	Plant and Machinery	800000	700000
Profit & Loss Account	202000	140000	Sundry Debtors	308000	514000
Bank Loan	300000	350000	Equipment	80000	70000
Provision for Tax	100000	100000	Stock	140000	200000
Sundry Creditors	460000	550000	Cash	20000	6000
			Goodwill	14000	--
Total	2362000	2440000	Total	2362000	2440000

Additional Information:

- Dividend of Rs. 50000 was paid during the year ended 31st March 2023
 - Depreciation was provided on Land and Building, Plant and Machinery & Equipment for the year ended 31st March 2023.
 - Machinery of Rs. 50000 and Equipment of Rs. 20000 were acquired during the year ended 31st March 2023
 - Income Tax Provision was made for the year ended 31st March 2023 of Rs. 130000.
- Prepare Cash Flow Statement by Indirect Method as per AS-3 for the year ended 31st March 2023.

OR

Q.5) Following are Summary Balance Sheets of Saket Industries Ltd.

(15)

Liabilities	31.03.22	31.03.23	Assets	31.03.22	31.03.23
Equity Share Capital	400000	800000	Fixed Assets	877000	898000
10% Pref. Share Capital	400000	500000	Investment	260000	600000
Capital Redemption Reserve	400000	-	Stock	500000	440000
Profit & Loss A/c	--	160000	Sundry Debtors	700000	760000
Bank Overdraft	100000	50000	MVAT refund due	33000	36000
Sundry Creditors	1200000	1340000	Advance Income Tax	120000	200000
Provision for Tax	120000	216000	Cash and Bank Balance	50000	100000
			Profit and Loss A/c	40000	--
			Share Issue Expenses	40000	32000
Total	2620000	3066000	Total	2620000	3066000

Additional Information:

1. Bonus Equity Shares were issued to the existing Equity shareholders in the proportion of 1:1, out of Capital Redemption Reserve on 1-4-2022
2. Additional Preference Shares were issued on 31.03.2023. Company pays preference dividend on 31st March every year.
3. Fixed Assets were sold for Rs. 66000 on which loss on sale was Rs. 34000
4. Fixed Assets costing Rs. 400000 were purchased during the year
5. Income tax for 2015-16 was assessed at Rs. 120000 on 31.12.2022

Prepare Cash Flow Statement for the year ended 31st March 2023 by indirect method as per AS- 3 from the above information.

Q.6) A) What is Financial Management? Explain its importance.

(10)

B) Explain the Long Term Sources of Finance.

(10)

OR

Q.6) Write short notes on (Any four)

(20)

1. Structure of Schedule III
2. Commercial Papers
3. Common Size Statement
4. Wealth Maximization
5. Balance Sheet ratios
6. Classification of Sources of Finance