VCD-24092013 Financial Management SYBBI SEM III 60 2 Hours 180

Q 1(A) The following data is available in respect of Ramayan Ltd (08)

Income Statement year ending (Rs. In Lakhs)

Particulars	2012 Amt	2013 Amt
Sales	2600	?
Costs	1500	?
Taxable Income	1100	?
Taxes	404	?
Net Profit After Tax	696	?
Dividends	44	?
Addition to Retained Earnings	652	?

Balance Sheet as on 31st March

Liabilities & Owners Equity	2012	2013	Assets	2012	2013
Current Liabilities:			Current Assets :		
Account Payable	370	?	Cash	600	?
Bills Payable	870	?	Accounts Receivable	400	?
Total Current Liabilities	1,240	?	Inventory	500	?
Long-Term Liabilities :			Total Current Assets	1,500	?
Long-Term Debt	840	?	Fixed Assets :		
Total Long- Term Liabilities	840	?	Net Fixed Assets	1,800	?
Owners' Equity :					
Equity Share Capital	910	?			
Retained Earnings	310	?			
Total Owners Equity	1,220	?			
Total Liabilities & Owners Equity	3,300	?	Total Assets	3,300	?

Other Information:

Forecasted Growth Rate in Sales =34%

Using "Percentage of Sales" method approach determines the External Financing Needed, assuming that the funds are raised by Bills Payable and that the Long-Term Debt and Equity share Capital remain constant.

Q1.(B) The Following data is available in respect of Mr. Ram Company Ltd. (07)

INCOME STATEMENT YEAR ENDING (Rs. In Lakhs)

Particulars	2012	2013
	Amount	Amount

(PTO)

Sales	800	?
Costs	600	?
Taxable Income	200	?
Taxes	21	?
Net Profit After Tax	179	?
Dividends	69	?
Addition to Retained Earnings	110	?

Balance Sheet as on 31st March

Liabilities & Owners Equity	2012	2013	Assets	2012	2013
Current Liabilities:			Current Assets :		
Account Payable	280	?	Cash	600	?
Bills Payable	250	?	Accounts Receivable	500	?
Total Current Liabilities	530	?	Inventory	500	?
Long-Term Liabilities :			Total Current Assets	1600	?
Long-Term Debt	1120	?	Fixed Assets :		
Total Long- Term Liabilities	1120	?	Net Fixed Assets	600	?
Owners' Equity :					
Equity Share Capital	180	?			
Retained Earnings	370	?			
Total Owners Equity	550	?			
Total Liabilities & Owners Equity	2200	?	Total Assets	2200	?

Other Information: Forecasted Growth Rate in Sales =25%

Using "Percentage of Sales" method approach determines the External Financing Needed, assuming that the funds are raised by Equity share Capital and that the Long-Term Debt and Bills Payable remain constant.

OR

Q.1 (A) Complete the following Comparative Statement of Sita Ltd. By ascertaining the missing balances. (08)

Particulars	2013	2014	Absolute Increase or Decrease Rs.	Percentage Increase or Decrease %
Sales			4,00,000	25.00%
Cost of Goods Sold				
Opening Stock	80,000	1,20,000	?	?
Purchases	?	?		
Wages	2,40,000	4,40,000	2,00,000	20.00%
Less : Closing Stock	?	1,60,000	?	?
			40,000	?
Cost of Goods Sold	?	?	?	?
Gross Profit	?	?	?	?
Operating Expenses				
(a) Administrative	?	?	20,000	20.00%
(b) Selling & Distribution	50,000	60,000	?	?
(c) Finance	?	?	4,500	22.50%
Total Operating Expenses	?	?	?	?
Net Operating Profit	?	?	?	?
Add : Non-Operating Income	20,000	1,00,000	?	?
Net Profit Before Tax	?	?	?	?

Less : Provision for Tax	?	?	?	?
Net Profit After Tax	2,10,000	2,35,000	?	?

Q.1(B) Hanuman Ltd. And Sugrive Ltd. Are in the same line of business. Following are their Balance Sheets as on 31st December 2003. (07)

Liabilities	Hanuman Ltd.Rs	Sugrive Ltd. Rs	Assets	Hanuman Ltd.Rs	Sugrive Ltd. Rs
Equity Share Capital	7,00,000	2,00,000	Land	1,00,000	80,000
Reserve & Surplus	1,00,000	1,00,000	Building	2,50,000	2,00,000
12% Debentures	2,00,000	5,00,000	Plant & Machinery	5,00,000	3,00,000
Creditors	1,20,000	70,000	Debtors	2,10,000	1,10,000
Bills Payable	40,000	20,000	Stock	1,00,000	2,00,000
Proposed Dividend	20,000	20,000	Cash & Bank	55,000	40,000
Provision for Tax	35,000	20,000			
Total	12,15,000	9,30,000	Total	12,15,000	9,30,000

You are required to rearrange the Balance Sheet (In vertical Form) and calculate the following ratios for both the companies. A. Proprietory Ratio. B. Capital-Gearing Ratio. C. Current Ratio. D. Stock working Capital Ratio.

Q.2(a) Laxman Ltd, is currently operating at 75% of its capacity. In the past two years, the levels of operations were 55% and 65% respectively. Presently, the production is 75,000 units. The Company is planning for 85% Capacity level during 2005-2006. The cost details are as follows (08)

		Rs.	
Particulars	55%	65%	75%
Direct materials	11,00,000	13,00,000	15,00,000
Direct Labour	5,50,000	6,50,000	7,50,000
Factory Overheads	3,10,000	3,30,000	3,50,000
Selling Overheads	3,20,000	3,60,000	4,00,000
Administration Overheads	1,60,000	1,60,000	1,60,000
Total	24,40,000	28,00,000	31,60,000

Profit is estimated @ 20% on Sales.

The following increase, in costs are expected during the Year : (In Percentage)

Direct material	8
Direct Labour	5
Variable Factory Overheads	5
Variable Selling Overheads	8
Fixed Factory Overheads	10
Fixed Selling Overheads	15
Administrative Overheads	10

Prepare Flexible Budget for the Current year as well as for the period 2005-2006 at 85% of Capacity.

(PTO)

Q2(b). A manufacturing company is operating at 75% of normal capacity. It is proposed to other a price reduction of 5% to 10% depending upon the sales volume desired. Given below are the relevant data. (07)

Capacity	75%	85%	100%
Output 9Units)	75,000	85,000	1,00,000
Selling price/Unit	Rs.96	5% Off	10% Off
Materials Cost/Unit	Rs.40	10% Less	15% Less
Wages cost/Unit	Rs.10	Rs10	Rs. 10

Fixed overheads:

Production Rs. 14,00,000

Selling and Administration Rs. 5,00,000

Variable overheads:

Production Rs. 14,00,000 @ Normal Capacity

Selling & overheads Rs. 4,40,000 @ Normal Capacity

A. Prepare a single statement to show profit/Loss at each level of output.

B. Compute unit variable cost fixed cost and unit total cost at different level of output and

C. Indicate which of the 3 Levels is most profitable.

OR

Q2.(a) Following are the figure extracted from the book of M/S Ravan Traders, for the period ended 31.12 .2005 you are required to prepare a cash budget for the quarter ended 31.12.2005 (08)

	Rs
Cash at bank as on 1.10.2005	25,000
Salaries and wages estimated-monthly	10,000
Interest payable-November2005	5,000

Other data

(A) Estimated of sales, purchase etch

Estimated	September 2005 RS	October 2005 Rs	November 2005 RS	December 2005 RS
Cash sales	(Actual)	1,40,000	1,52,000	1,21,000
Credit sales	1,00,000	80,000	1,40,000	1,20,000
Purchase	1,60,000	1,70,000	2,40,000	1,80,000
Other expenses	-	20,000	22,000	21,000

(A) Credit sales are collected at the rate of 50% in the month in which the sales are made and 50% in the following month.

(B) Collection from credit sales are subject to 5% discount, if the payment is received during the month of sales and $2^{1/2}$% discount, if the payment is received in the following month.

(C) Creditors are paid either on "prompt basis", or 30 day' payment basis". It is estimated that 10% of the creditors are in the "prompt" category.

OR

Q.2. (b) Company Dashrath Private Limited is planning an investment in new project. The Investment budget of the company is Rs. 30,00,000. The company has following two investment alternatives: (07)

Particulars	Project A	Project B
Investment	30,00,000	30,00,000
Useful Life	5 years	6 Years
Cost of capital	12%	12%
Cash Inflow at the end of the year :		
Year1	7,00,000	8,00,000
Year2	10,00,000	8,00,000
Year3	9,00,000	8,00,000
Year4	8,00,000	8,00,000
Year5	4,00,000	6,00,000
Year6	-	2,00,000

Find which project the company should select on basis of : 1. Payback period Method

2. Net Present Value method.

Discount Factor @ 12%

Year 1	Year2	Year3	Year4	Year5	Year6
0.893	0.797	0.712	0.636	0.567	0.507

Q.3 (a) what is the meaning of Equity Share Capital & Its Basic Concept? **(08)**

Q.3 (b) Explain the Kinds of Preference Shares? **(07)**

OR

Q.3 (a) Features of Rights Share? **(08)**

Q.3 (b) Explain the meaning of Debenture? Types of Debentures? **(07)**

Q.4 Theory Question..(Any 3 out of 6) **(15)**

1. Scope of Financial Management?
2. Qualities of a Financial Manager?
3. Explain the meaning of Bond & Its Features?
4. Explain the Features of Hire Purchase?
5. What is the meaning of Zero-Coupon Bond & Features?
6. Objective/Goal of Financial management?

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