

Note : 1] Question No. 1 is Compulsory.

2] Attempt Q – 2 to Q – 5 with Internal Choice.

3] Figures at right indicates full marks.

4] Use of Standard Calculator is permitted.

Q – 1 A] Select correct alternative and rewrite the sentence. (Any 10) (10 Marks)

1. Current ratio is _____
 - a. Balance Sheet Ratio
 - b. Composite Ratio
 - c. Revenue Ratio
 - d. Combine Ratio
2. Cash inflow for capital budgeting means _____
 - a. Profit – Depreciation + Tax
 - b. Profit – tax + Depreciation
 - c. Profit + Tax – Depreciation
 - d. Profit
3. Liquid Assets does not include _____
 - a. Debtors
 - b. Bills Receivable
 - c. Stock
 - d. Bank
4. Profit and loss account shows _____
 - a. Financial Position of Company
 - b. Cashflow of a Company
 - c. Operating Efficiency
 - d. None of the above
5. Payback profitability is _____
 - a. Total cash inflow / Cost of investment
 - b. Cost of investment / Annual cash inflow
 - c. Cost of investment less Annual cash inflow
 - d. Total cash inflow less cost of investment
6. Standard current ratio
 - a) 2:1
 - b) 1:1
 - c) 65%
 - d) 1.33
7. The numbers of years taken by a project to recover the initial investment is called
 - a. Payback period
 - b. investment period
 - c. Profit Period
 - d. None of these
8. Common size Statement Analysis is also known as _____
 - a. Vertical Analysis
 - b. Horizontal Analysis
 - c. Static Analysis
 - d. None of these
9. Which of the following is not used in capital Budgeting
 - a. NPV
 - b. Profitability Index
 - c. Net Asset Method
 - d. Payback Period
10. Capital Budgeting is a part of

- a. Investment Decision b. Working Capital Management
c. Marketing Management d. Capital Structure

11. Current Ratio is express in numerical terms _____

- a. Current Ratio = Current Assets – Current Liability
b. Current Ratio = Current Assets + Current Liability
c. Current Ratio = Current Assets * Current Liability
d. Current Ratio = Current Assets / Current Liability

12. Asset Backing Ratio indicate _____ of company.

- a. Long term financial position b. Short Term financial position
c. Liquidity Position d. Debt Position

B] State whether the following statement is TRUE / FALSE (Any 10) (10 Marks)

1. In Finance working capital means current assets.
2. Liquid Assets includes Prepaid Expenses.
3. Cash inflow is Needed for calculating ARR.
4. Payback period is calculated to find Net present value.
5. Liquidity means the firm ability to pay its debts in the long run.
6. Profitability ratios are used to know capital structure of company.
7. Bank Overdraft is non quick liability.
8. In Work in Progress Material is taken at 100% , Labour 50% and Overheads 50%.
9. Operating cost = Cost of Goods sold + Operating Expenses.
10. Debtors turnover ratio is combined ratio.
11. Working Capital requirement affected by nature of business.
12. Capital budgeting is use for decision making.

Q – 2 Rearrange the Balance Sheet in Vertical Form and calculate the trend percentage taking
• 2019 figures as 100 and briefly comment on the same. (20 Marks)

Balance Sheet as on 31st December

Liabilities	2019	2020	2021	2022	Assets	2019	2020	2021	2022
Share Capital	60	60	80	80	Building	50	60	55	80
Reserves & Surplus	50	45	20	20	Goodwill	50	45	40	40
Debentures	13	32	31	40	Machinery	20	40	43	50

Secured Loans	10	20	20	30	Stock	05	15	25	15
Creditors	12	08	10	12	Debtors	20	14	15	10
Bank Overdraft	01	02	08	06	Cash	05	01	02	05
Other Liabilities	07	10	12	12	Preliminary Expenses	03	02	01	-
	153	177	181	200		153	177	181	200

OR

Q – 2 Following is the balance sheet of Wills Ltd as on 31st March, 2023 (20 Marks)

Liabilities	Rs.	Assets	Rs.
General Reserve	1,23,000	Cash	25,000
Bank Overdraft	52,000	Stock	85,000
10% Debentures	77,000	Plant and Machinery	2,10,000
14% Preference Share Capital	1,00,000	Prepaid Expenses	7,000
Equity Share Capital	2,50,000	Furniture and Fitting	1,05,000
Bills Payable	20,000	Goodwill	17,000
Profit & Loss A/c	1,30,000	Investments	59,000
Sundry Creditors	1,04,000	Bills Receivable	25,000
Income Received in Advance	10,000	Bank	38,000
Provision for Tax	25,000	Land and Building	20,000
Accumulated Depreciation			
Land & Building	30,000		
Plant & Machinery	35,000		
Furniture and Fitting	40,000		
Securities Premium	50,000	Debtors	2,54,000
		Discount on Shares	1,10,000
		Patents	91,000
	10,46,000		10,46,000

You are required to prepare common size balance sheet (in vertical form).

Q – 3 The following is the balance sheet of Y Ltd. On 31st march, 2023:

(20 Marks)

Liabilities	Rs.	Assets	Rs.
Equity share capital	3,00,000	Building	3,00,000
12% debentures	2,00,000	Machinery	1,30,000
General reserve	80,000	Goodwill	2,00,000
Profit & Loss account	1,50,000	Marketable Investment	30,000
Bank overdraft	50,000	Debtors	1,00,000
Income tax Provision	50,000	Stock	1,00,000
Creditors	<u>1,00,000</u>	Bank Balance	<u>70,000</u>
	<u>9,30,000</u>		<u>9,30,000</u>

Other information for the year ending 31st March, 2023:

Sales Rs.35,00,000. Gross profit on sales 10%, Net profit before tax Rs.1,40,000, Income Tax Provision Rs.50,000.

Arrange the balance sheet in the vertical form and calculate the following ratios:

1. Current Ratio,
2. Liquid Ratio,
3. Capital gearing ratio
4. Proprietary Ratio
5. Debt Equity Ratio
6. Stock Working Capital Ratio

OR

Q – 3 From the following information prepare vertical revenue statement and find out ratios

Trading, Profit and Loss A/c of M/s Kem Ltd

(20 Marks)

For the Year ended 31st March 2023

Particulars	Rs.	Particulars	Rs.
To Opening Stock	8,00,000	By Sales	50,00,000
To Purchases	19,60,000	By Closing Stock	12,00,000
To Wages	5,80,000	By Sale of Scrap	20,000

To Factory Expense :	3,80,000	By Dividend Received	2,000
To office Salaries	2,40,000		
To General Administrative Expenses	2,60,000		
To Selling Expenses	2,25,000		
To Depreciation on Machinery	5,00,000		
To Provision for Taxation	2,81,000		
To Transfer to Reserves	4,00,000		
To Net Profit	5,96,000		
	62,22,000		62,22,000

- Calculate:
1. Gross Profit Ratio
 2. Operating Ratio
 3. Operating Expenses Ratio
 4. Net Profit Ratio
 5. Office and Administration expenses Ratio
 6. Net Operating Profit Ratio

Q – 4 From the following information given by M/s. Q & Co. Pvt. Ltd., prepare an estimate of Working Capital for the year ended 31st March 2023. (20 Marks)

1. Estimated level of activity - 1, 04,000 units for the year 52 weeks
2. Cost of Raw Materials per unit – Rs.5
3. Cost of Labour per unit - 40% of Raw materials
4. Cost of Overheads per unit - 50% of the Labour cost
5. Profit per unit is 200% of Overheads.
6. Stock of Raw Materials - 4 weeks
7. Processing period - 4 weeks
8. Stock of Finished Goods - 4 weeks
9. Credit to the Debtors - 6 weeks
10. Credit by the Creditors - 4 weeks
11. Time lag in payment of Wages - 4 weeks
12. Time lag in payment of Overheads - 2 weeks
13. Cash and Bank Balance required – Rs.40,000
14. Debtors are calculated on Sales basis
15. Purchases against Cash - 20%

16. All the activities are spread evenly throughout the year

17. During processing, Labour and Overhead accrue evenly

OR

Q – 4 Q Ltd is considering the purchase of a machine. calculate: Pay back period, Profitability Index and NPV (10% discount). (20 Marks)

Year	Cash Flow	PV @ 10%
1	85,000	0.909
2	87,000	0.826
3	90,000	0.751
4	92,000	0.683
5	100,000	0.621
6	122,000	0.564
7	100,000	0.513
8	78,000	0.467
Cost of Machine	Rs 288,000	
Scrap value	Rs 8,000	

Q – 5 a) What is Capital Budgeting? Explain its Features and Importance. (10 Marks)

b) Distinguish between Financial Accounting & Management Accounting. (10 Marks)

OR

Q – 5 Short Notes (Any 4)

(20 Marks)

1. Types of Assets and Liabilities
2. Techniques used in capital budgeting
3. Classification of Ratios
4. Factors Affecting Working Capital Requirement
5. Limitation of Ratio Analysis
6. Common Size and Comparative Statement