Q.P. Code : 22113

(2½ Hours) **[Total Marks : 75**

N.B. : (1) **All** questions are **compulsory** but subject to **internal choice**.
(2) **Figures** to the **right** indicate **full marks**.

1. (A) Rewrite the full sentence with correct option **(Attempt Any Eight)** : **8**

(1) Short term obligations which are payable within the operating cycle period or within a year are called ________.
(a) Quick liabilities (b) Current liabilites
(c) Current assets (d) Non-current liabilities

(2) Underwriting commission is a / an ________.
(a) Intangible asset (b) Fictitious asset
(c) Tangible asset (d) Fixed asset

(3) Debt equity ratio is a / an ________.
(a) Balance sheet ratio (b) Composite ratio
(c) Income statement ratio (d) None of the above

(4) ________ is an example of liquidity ratio.
(a) Proprietary ratio (b) Current ratio
(c) Return on proprietor's funds (d) Debtors turnover ratio

(5) In a cash flow statement, redemption of debentures is shown as ________.
(a) Cash flow from operating activities
(b) Cash flow from investing activities
(c) Cash flow from financing activities
(d) None of the above

(6) Buy-back of equity shares creates cash flow from ________.
(a) Operating activities (b) Financing activities
(c) Investing activities (d) None of the above

(7) The minimum amount of working capital required by a concern to enable it to operate at the lowest level of activity is called ________.
(a) Temporary working capital (b) Gross working capital
(c) Permanent working capital (d) Net working capital

TURN OVER

(8) A concern which allows longer period of credit to debtors requires ________.
(a) More working capital (b) Less working capital
(c) Temporary working capital (d) No working capital

(9) If a concern offers cash discount to customers, it would lead to increase in _________.
(a) Sales (b) Debtors
(c) Average collection period (d) All of the above

(10) The cost incurred to collect the dues from customers is called as ________.
(a) Collection cost (b) Default cost
(c) Administration cost (d) All of the above

(B) State whether the following statements are **True** or **False (Attempt Any Seven)** : **7**
(1) Goodwill should be shown under fictitious assets.
(2) Interest on loan is disclosed separately in vertical income statement.
(3) Short term solvency ratio measures the ability of the firm to pay current liabilities.
(4) Debt collection period indicates time taken by debtors to settle the account.
(5) Sale of machinery is a source of cash from financing activities.
(6) Issue of share capital creates cash flow from financing activities.
(7) Manufacturing organisations require higher working capital than trading organisations.
(8) Stock of finished goods should be valued at cost of production while calculating working capital.
(9) Longer the production cycle, larger will be the requirement of working capital.
(10) Ageing schedule of receivables is one way of monitoring the receivables.

TURN OVER

2. Following is the Balance Sheet of Sai Ltd. as at 31st March, 2016 : **15**

Liabilities	₹	**Assets**	₹
Equity share capital	10,00,000	Trade investments	4,00,000
Dividend Equalisation Reserve	1,40,000	Patent	60,000
General Reserve	2,20,000	Land & Building	5,40,000
Profit & Loss account	3,80,000	Plant & Machinery	9,00,000
6% Debentures	5,00,000	Cash & Bank Balance	1,76,000
Bank overdraft	3,00,000	Closing Stock	6,20,000
Sundry Creditors	4,20,000	Sundry Debtors	4,44,000
Unpaid dividend	20,000	Bills receivable	60,000
Bills payable	1,20,000	Short term deposit with customers	60,000
Provision for tax	3,40,000	Underwriting commission	1,20,000
		Preliminary expenses	60,000
Total	**34,40,000**	**Total**	**34,40,000**

Present the above Balance Sheet in vertical form suitable for the purpose of analysis and show the following :

(a) Intangible assets
(b) Current assets
(c) Shareholders Funds
(d) Fictitious assets
(e) Quick liabilities

OR

TURN OVER

2. (A) From the following Balance Sheet of Lion Ltd. prepare statement of trend analysis in vertical form. **10**

Particulars	2013 (₹)	2014 (₹)	2015 (₹)
Liabilities			
Equity Capital	2,00,000	2,00,000	2,00,000
10% Preference Share Capital	1,00,000	1,50,000	1,00,000
General Reserve	20,000	22,000	42,000
Debentures	75,000	1,00,000	90,000
Creditors	20,000	17,000	34,000
Total	**4,15,000**	**4,89,000**	**4,66,000**
Assets			
Fixed Assets	1,50,000	2,00,000	2,00,000
Investments	1,00,000	1,50,000	1,00,000
Cash	50,000	25,000	40,000
Debtors	70,000	60,000	63,000
Stock	40,000	50,000	60,000
Preliminary Expenses	5,000	4,000	3,000
Total	**4,15,000**	**4,89,000**	**4,66,000**

(B) From the following Balance Sheet of Soham Ltd. prepare commonsize Balance Sheet : **05**

Particulars	31.12.2015 (₹)
Share Capital	9,00,000
Reserves & Surplus	1,65,000
Creditors	2,70,000
Bills Payable	1,20,000
Outstanding Expenses	45,000
Total	**15,00,000**
Building	4,80,000
Plant	4,05,000
Furniture	1,51,500
Cash at Bank	1,23,300
Debtors	2,11,200
Bills receivable	1,20,000
Prepaid Expenses	9,000
Total	**15,00,000**

TURN OVER

3. Following are the financial statements of Sia Ltd. for 2016 : **15**

Trading & Profit and Loss A/c for the year ended 31st March, 2016

Particulars	₹	Particulars	₹
To Opening stock	70,000	By Sales	16,60,000
To Purchases	15,00,000	By Closing Stock	1,60,000
To Gross Profit	2,50,000		
Total	**18,20,000**	**Total**	**18,20,000**
To Depreciation	36,000	By Gross Profit	2,50,000
To Other Expenses	74,000	By Commission	10,000
To Tax provision	40,000		
To Proposed dividend	16,000		
To Net Profit	94,000		
Total	**2,60,000**	**Total**	**2,60,000**

Balance Sheet as at 31st March, 2016

Liabilities	₹	Assets	₹
Share capital	3,00,000	Cash	48,000
Bank overdraft	38,000	Stock	1,60,000
Creditors	34,000	Debtors	1,38,400
Provision for tax	40,000	Land & Building	92,000
Proposed dividend	16,000	Machinery	74,600
Profit & Loss A/c	1,80,000	Goodwill	20,000
		Loans & advances	60,000
		Preliminary Expenses	15,000
Total	**6,08,000**	**Total**	**6,08,000**

Calculate the following ratios :

(a) Current ratio
(b) Proprietary ratio
(c) Operating ratio
(d) Stock turnover ratio
(e) Debtors turnover ratio
(f) Return on capital employed
(g) Quick ratio

Note : Converting the statements in vertical format is not expected.

OR

TURN OVER

3. Following are the financial statements of two similar companies : **15**

Balance Sheet as at 31st March, 2016

Liabilities	X Ltd. ₹	Y Ltd. ₹	Assets	X Ltd. ₹	Y Ltd. ₹
Equity shares of ₹10 each	40,000	40,000	Land & Building	14,000	12,000
			Plant	41,000	32,000
Revenue Reserve	19,500	16,000	Stock	28,500	21,000
8% Debentures	10,000	10,000	Debtors	26,000	19,000
Trade Creditors	28,000	14,000	Investment (Long term)	-	3,000
Other Creditors	2,500	2,000	Bank	1,000	3,000
Provision for tax	9,000	7,000	Deposit	1,500	1,000
Proposed dividend	3,000	2,000			
Total	**1,12,000**	**91,000**	**Total**	**1,12,000**	**91,000**

Income statement for 2016

Particulars	X Ltd. ₹	Y Ltd. ₹	Particulars	X Ltd. ₹	Y Ltd. ₹
To Cost of sales	1,08,000	90,000	By Sales	1,50,000	1,20,000
To Operating Expenses	29,000	20,000			
To Taxation	5,500	4,100			
To Profit	7,500	5,900			
Total	**1,50,000**	**1,20,000**	**Total**	**1,50,000**	**1,20,000**

On the basis of above information, you are required to compute the following ratios for both the companies separately :

(i) Current ratio

(ii) Debtors turnover ratio

(iii) Capital Gearing ratio

(iv) Return on proprietors funds

Note : Vertical final accounts need not be prepared.

TURN OVER

4. Following are the Balance Sheets of Nalini Ltd. as on 31st March, 2016 and 31st March, 2017 : **15**

Balance Sheet

Liabilities	31-03-2016 ₹	31-03-2017 ₹	Assets	31-03-2016 ₹	31-03-2017 ₹
Shares Capital	10,00,000	10,00,000	Land & Building	10,00,000	9,50,000
General Reserve	3,00,000	3,00,000	Plant & Machinery	8,00,000	7,00,000
Profit & Loss A/c	1,52,000	1,40,000	Sundry debtors	3,08,000	5,14,000
Bank Loan	3,00,000	3,50,000	Equipment	80,000	70,000
Provision for tax	1,00,000	1,00,000	Stock	1,40,000	2,00,000
Proposed dividend	50,000	-	Cash	20,000	6,000
Sundry Creditors	4,60,000	5,50,000	Goodwill	14,000	-
Total	**23,62,000**	**24,40,000**	**Total**	**23,62,000**	**24,40,000**

Other information :

(i) Dividend of ₹50,000 was paid during the year ended 31st March, 2017.

(ii) Depreciation was provided on Land & Building, Plant & Machinery and Equipment for the year ended 31st March, 2017.

(iii) Machinery of ₹50,000 and equipment of ₹20,000 were acquired during the year ended 31st March, 2017.

(iv) Income tax provision for ₹1,30,000 was made for the year ended 31st March, 2017.

Prepare cash flow statement by Indirect method as per AS-3 for the year ended 31st March, 2017.

OR

4. (A) The management of Radha Industries has called for a statement showing the working capital to finance a level of activity of 1,80,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is detailed below : **08**

	Cost per unit (₹)
Raw material	20
Direct Labour	05
Overheads	15
Total Cost	40
Profit	10
Selling Price	50

TURN OVER

Additional Information :

(a) Minimum desired cash balance is ₹20,000.

(b) Raw materials are held in stock, on an average for two months.

(c) Work-in-progress (assume 50% completion stage) will approximate to half a month's production.

(d) Finished goods remain in warehouse, on an average for one month.

(e) Suppliers of material extend one month's credit and debtors are provided two month's credit; cash sales are 25% of total sales.

From the above facts, you are required to prepare a statement showing working capital needs.

(B) Suyash Ltd. is considering the revision of its credit policy with a view to increasing its sales and profit. Currently all its sales are on credit and the customers are given one month credit. The companies required rate of return on investment is 20%. It has a contribution of 40%. The marketing manager has been given the following options : **07**

	Current position	**I**	**II**
Sales (₹ lakhs)	200	210	220
Credit period (months)	1	1½	3
Bad debts (% of sales)	2	2½	3
Cost of credit administration (₹ lakhs)	1.20	1.30	1.50

Advise the company for the best option.

5. (A) What are the components of financial statements ? Explain the objectives of financial statements. **08**

(B) Explain working capital cycle for a manufacturing concern. **07**

OR

TURN OVER

5. Write short notes on **(Attempt Any Three)** : **15**

(1) Cash flow from financing activities (as per revised AS-3).

(2) Balance Sheet Ratios.

(3) Advantages of Common size statements.

(4) Contingent Liabilities.

(5) 5C's of credit evaluation.

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