

- Note :1. All questions are compulsory.
2. All questions carry equal marks.
3. Figure to right indicates full mark.
4. Use of simple calculator is allowed.

Q.1 Answer the following

08 marks

A) Fill in the blanks. (Any 8)

1. Directors Fees are _____ expenses.
a) Selling & Distribution b) Office & Admin
c) financial exp. d) Non-operating exp.

2. Inter-firm and inter-period comparisons are made with the help of _____ Statements.

- a) Common size statement b) Trend Analysis
c) Comparative statement d) Cash flow statement

3. In Common-size balance sheet analysis, the _____ are taken as 100 percent.

- a) Total Capital employed b) sales
c) Total Assets d) Fixed Assets

4. Standard Liquid Ratio is _____.

- a) 2:1 b) 1:1
c) 65% d) 100%

5. The main purpose of _____ ratio is to show the extent to which working capital is blocked in inventories.

- a) Stock to working capital Ratio b) Stock Turnover Ratio
c) Creditors Turnover Ratio d) Operating Ratio

6. Current Ratio = _____.

- a) Balance sheet ratio b) Revenue statement ratio
c) Composite Ratio d) None of these

7. Which of the following is not an element of credit policy.

- a) Credit terms b) Collection Policy
c) Cash Discount Terms d) sales price

8) Purchase & sale of Assets & Investments -----

- a) Investing Activity b) Operating Activity
c) Financing Activity d) None of These

9) An asset which does not have physical identity is called as -----

- a) Current Asset b) Intangible Asset
c) Fixed Asset d) Non-current Asset

10) Borrowed funds does not include -----

- a) Debentures b) Public Deposit
c) Bank Overdraft d) Bonds

B). True or False. (Any 7)

07 marks

1. Borrowed Funds is an internal source of finance.
2. All current liabilities are quick liabilities.
3. Goodwill is shown under Application of funds in the vertical Balance Sheet.
4. Current ratio standard is 1:1.
5. Loans given to others is a financing activity.
6. In Cash flows, "Cash" includes cash on hand, cash in the bank & cash equivalents.
7. Working capital refers to a firm's long-term capital.
8. Trend analysis is possible for two years.
9. Depreciation is a non-cash item.
10. Issue of share capital creates cash flow from financing activity.

Q.2) Answer the following

15 marks

A. Following are the Balance Sheets of Gayatri Ltd. As on 31st December 2021 & 2022

Liabilities	2021	2022	Assets	2021	2022
Equity Share Cap	100,000	150,000	Land & Building	80,000	75,000
General Reserve	60,000	10,000	Plant & Machinery	42,000	85,000
P & L A/C	5,000	30,000	Furniture	7,000	6,000
Bank Overdraft	NIL	65,000	Investment	6,000	12,000
Mortgage Loan	NIL	40,000	Stock	27,500	94,500
Provision for Tax	10,000	15,000	Debtors	46,500	77,250
Creditors	30,000	20,000	Cash	2,000	7,250
Bills Payable	10,000	30,000	Preliminary Exp	4,000	3,000
	<u>215,000</u>	<u>360,000</u>		<u>215,000</u>	<u>360,000</u>

You are required to prepare Comparative Financial Statements in Vertical Form.

OR

B) From the following information prepare Common size Balance Sheet.

08 marks

Balance Sheet as on 31 March 2021

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	125,000	Land & Building	250,000
Preference Share Capital	50,000	Machinery	400,000
General Reserve	250,000	Furniture	125,000
Profit & Loss A/C	25,000	Stock	40,000
Debenture	500,000	Debtors	200,000
Creditors	150,000	Bills Receivable	50,000
Bank Overdraft	75,000	Bank Balance	35,500
Outstanding Expenses	20,000	Cash on Hand	15,000
		Preliminary Expenses	79,500
	<u>1195,000</u>		<u>1195,000</u>

C). You are furnished with the revenue statements for the four years ended 31st Dec.

07marks

Particulars	2018	2019	2020	2021
Sales	50,000	50,000	72,000	86,400
Cost of Sales	32,000	38,000	46,000	56,000
Margin	18,000	22,000	26,000	30,400
Management Expenses	3,000	3,500	4,000	4,500
Sales expenses	5,000	6,000	7,200	8,640
Interest on Loans	3,000	4,000	5,000	6,000
Total Expenses	11,000	13,500	16,200	19,140
Profit before Dep.	7,000	8,500	9,800	11,260
Depreciation	5,000	4,500	6,000	6,500
Profit before Tax	2,000	4,000	3,800	4,760
Income Tax	800	2,000	1,850	2,400
Profit after Tax	1,200	2,000	1,950	2,360

You are required to prepare trend analysis.

Q.3) Answer the following

15 Marks

A. Following is the financial statement of Sia Ltd.

Balance Sheet as on 31st march 2022

Liabilities	Rs.	Assets	Rs.
Share Capital	50,000	Fixed Assets	90,000
Reserves	34,000		
Secured Loan	24,000	Current Assets	1,00,000
Current Liabilities	30,000		
Provisions	52,000		
	1,90,000		1,90,000

Profit & Loss A/C for the year ended 31st March 2022

Particulars	Rs.	Particulars	Rs.
To Opening Stock	40,000	By Sales	2,00,000
To Purchases	72,000	By Closing Stock	44,000
To Wages	36,000		
To Factory Exp	28,000		
To Administrative Exp	6,000		
To Selling Exp	10,000		
To Salary to staff	2,000		
To Income Tax	24,000		
To Transfer to Reserve	2,000		
To Proposed Dividend	8,000		
To Bal C/d	16,000		
	2,44,000		2,44,000

You are required to convert into vertical form & calculate following Ratio & comment on it.

1. Current Ratio
2. Proprietary Ratio
3. Debt-Equity Ratio
4. Stock to Working Capital Ratio
5. Operating Expenses Ratio
6. Gross Profit Ratio
7. Net Profit Ratio

OR

Q.3.

B) Following is the Balance Sheets of Bento Ltd. As on 31st March 2022

15Marks

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	20,000	Computer	14,000
P & L A/C	3,000	Plant & Machinery	51,000
General Reserve	4,000	Stock	20,000
12% Debenture	58,000	Debtors	10,000
Bank Overdraft	5,000	Cash	4,000
Creditors	10,000	Bills Receivable	1,000
	<u>1,00,000</u>		<u>1,00,000</u>

Following is the revenue statement for the year ended 31st March 2022

Particular	Rs.
Sales	2,64,000
Less:- Cost of Sales	1,98,000
Gross Profit	<u>66,000</u>
Less : Operating Expenses	44,000
Operating Profit	<u>22,000</u>
Less Tax	9,000
Profit after tax	<u>13,000</u>
Less :Dividend	7,000
Retained Earning	<u>6,000</u>

You are required to calculate the following ratio

- 1)Gross profit ratio
- 2)Debtors turnover ratio
- 3) Inventory to Working Capital Ratio
- 4) Stock turnover ratio
- 5) Current Ratio
- 6)Quick Ratio
- 7).Debt to Equity Ratio

Q.4. Answer the following

15 Marks

A) From the following Balance Sheet of Symphony Ltd. prepare Cash Flow Statement

Liabilities	31/3/2013	31/3/2014	Assets	31/3/2013	31/3/2014
Equity Capital	7,00,000	8,00,000	Fixed Assets	5,00,000	7,50,000
General Reserve	1,75,000	2,25,000	Cash	1,50,000	1,80,000
P & L A/c	1,50,000	2,50,000	Stock	1,60,000	2,60,000
Debenture	Nil	2,00,000	Debtors	2,25,000	3,75,000
Proposed Dividend	80,000	90,000	Underwriting Commission	70,000	Nil
	<u>11,05,000</u>	<u>15,65,000</u>		<u>11,05,000</u>	<u>15,65,000</u>

Additional Information

1. Interim Dividend Paid Rs.30,000.

2. Depreciation on Fixed Asset Rs.50,000.
3. Underwriting Commission was written off.
4. Fixed asset purchased worth Rs.3,00,000.

OR

Q.4 B) You are required to prepare a statement showing the estimate of working capital required to finance the level of activity of 20,000 units per year from the following information obtained from the Books of ABC LTD.

08 Marks

Particulars	Per unit Rs.
Raw materials	12
Direct Labour	3
Overheads	9
Total Cost	24
Profit	6
Selling Price	30

1. Raw materials are in stock on an average for two months.
2. Materials are in process on average for half a month.
3. Finished goods are in stock on average for two months.
4. Credit allowed by Creditors is two months.
5. Credit allowed to Debtors is three months.
6. Lag in payments of wages is half month.
7. Cash on hand and at bank is expected to be Rs.7000.

B) company currently has an annual turnover of Rs50 lakh and an average collection period of 30 days. The company wants to experiment with a more liberal credit policy on the ground that increase in collection period will generate additional sales. From the following information, kindly indicate which policy the company should adopt:
(Rs. In Lakh)

7 Marks

Credit Policy	Average Collection Period	Annual Sales
A	45 Days	56
B	60 Days	60
C	75 Days	62
D	90 Days	63

Cost : Variable Cost: 80% of sales

Fixed cost :Rs. 6 Lakhs per annum

Required (pre-tax) return on investment: 20%

A year may be taken to comprise of 360 days.

Q.5 a) Explain Receivable Management.

b) Explain different types & names of ratio.

OR

Q.5 Short Notes (Any 3)

- 1) Describe Classification of Cash Flow.
- 2) Explain the difference between common size statement & Comparative statement.
- 3) What is ratio analysis? Explain its importance.
- 4) Explain Factors of working Capital
- 5) Explain 5'C' of Credit

8 marks

7 marks

1.5 Marks