

1. All questions are compulsory
2. All question carry 20 marks each

**Q 1. (a)**

(10 Marks)

Rewrite statements and state if they are true or false (Any 10).

- While calculating profitability index, time value of money is ignored.
- Sale of scrap is added to cost of production.
- Debtors turnover ratio and average credit period on purchases convey the same information.
- Liquid Ratio = Current Assets/ Current Liabilities.
- For net present value calculations higher the discount rate less is the present value.
- For calculation of working capital requirements it is desirable that stock is valued at cost or market price whichever is less.
- Cost of issue of new shares is non operating expenses.
- Budgets contain plans of the investors.
- Information is data is that has been processed in some way.
- Profitability refers to ability of the firm to pay as and when a debt falls due for payment.
- Provision for taxation is a current liability.
- Sale of fixed assets is added to net sales.

and

**Q 1. (b)**

(10 Marks)

Match the Columns and Rewrite the Statement (Any 10)

Column A	Column B
* Management Accounting	* (PAT – Pref Dividend) / No of Equity Shares
* Accounting Rate of Return	* (PAT – Pref Dividend) / (Proprietors Funds – Pref Share Capital)
* Discounted Payback Period	* Average Collection Period
* Debtors Turnover Ratio	* Average Credit Offered By Suppliers
* Creditors Turnover Ratio	* Current Assets
* Gross Working Capital	* Current Assets - Current Liabilities
* Net Working Capital	* Current Liability
* Bank Overdraft	* Dividend Per Share / Earning Per Share
* Return On Capital Employed	* Financial Statements Interpretation
* Return On Equity	* PBIT / Total Funds Employed
* Dividend Payout Ratio	* Time Value of Money Considered
* Earnings Per Share	* Time Value of Money Ignored

**Q 2.**

(20 Marks)

Rearrange the profit and loss account in vertical format and calculate following ratios:

- |  |  |
|--|--|
| 1 Gross Profit Ratio                     | 2 Cost of Production To Sales Ratio                |
| 3 Administrative Expenses To Sales Ratio | 4 Selling and Distribution Expenses To Sales Ratio |
| 5 Finance Expenses To Sales Ratio        | 6 Operating Ratio                                  |
| 7 Net Profit Ratio                       | 8 Net Operating Profit Ratio                       |
| 9 Stock Turnover Ratio                   |  |

Profit and Loss Account			
Expenses	Rs. (000)	Income	Rs. (000)
Opening Stock	100	Sales (Net)	5000
Purchases (Net)	2100	Closing Stock	200
Factory Wages	400	Profit on Sale of investment	40
Factory Expenses	600		
Office Salaries	50		
Office Rent	30		
Office Expenses	24		
Sales Commission	30		
Advertising	18		
Finance Charges	15		
<b>Depreciation:</b>			
Office Furniture	16		
Delivery Van	2		
Debenture Interest	225		
Loss on Sale of Machinery	30		
Income Tax	640		
Net Profit	960		
	<b>5240</b>		<b>5240</b>

Or

(20 Marks)

Q 2.

Calculate trend percentage from following information:

Balance Sheet		2016	2016	2017	2017	2018	2018
Liabilities		Rs (000)	Trend %	Rs (000)	Trend %	Rs (000)	Trend %
14% Pref. Shares		200		200		200	
Equity Share Capital		1000		1200		1200	
Reserve & Surplus		2400		3000		3300	
15 % Debentures (Secured)		1000		800		600	
Sundry Creditors		200		210		220	
Bills Payable		20		30		40	
Reserve For Expenses		40		30		40	
		<b>4860</b>		<b>5470</b>		<b>5600</b>	
Assets		Rs (000)	Trend %	Rs (000)	Trend %	Rs (000)	Trend %
Land		800		800		800	
Buildings		1500		1260		1350	
Plant		1500		1980		2250	
Furniture		180		198		270	
Trade Investments		250		420		200	
Cash		100		50		100	
Sundry Debtors		300		480		450	
Bills Receivables		90		120		50	
Stock		120		150		120	
Prepaid Expenses		20		12		10	
		<b>4860</b>		<b>5470</b>		<b>5600</b>	
Income Statement		2016	2016	2017	2017	2018	2018
Particulars		Rs (000)	Trend %	Rs (000)	Trend %	Rs (000)	Trend %
Net Sales		2000		2100		2300	
(-) Cost Of Goods Sold		1200		1320		1440	
(=) Gross Profit		800		780		860	
(-) <b>Other Operating Expenses</b>							
a. Administrative Expenses		100		110		110	
b. Selling Expenses		40		50		48	
c. Finance Expenses		30		45		72	
(=) Operating Net Profit		630		575		630	
(+) Non Operating Income		10		20		25	
(-) Non Operating Expenses		5		10		5	
(=) Net Profit Before Tax		635		585		650	
(-) Income Tax		250		200		230	
(=) Net Profit After Tax		385		385		420	

Q 3

(20 Marks)

Rearrange the following Statements in vertical format and prepare a comparative statement

Balance Sheet		2017 Rs	2018 Rs	Assets		2017 Rs	2018 Rs
Liabilities		(000)	(000)			(000)	(000)
Creditors		100	122	Land		500	500
Secured Loans		540	600	Building		250	275
10% Preference Share Capital		50	50	Machinery		500	700
Equity Share Capital		90	120	Investments		200	200
General Reserve		400	430	Inventory		50	100
Profit and Loss Account		148	252	Prepaid Expenses		50	50
Bank Overdraft		150	120	Cash		18	24
Proposed Dividend		50	65	Debtors		50	30
Income Tax Provision		90	120				
		<b>1618</b>	<b>1879</b>			<b>1618</b>	<b>1879</b>
Profit and Loss Account		2017 Rs	2018 Rs	Income		2017 Rs	2018 Rs
Expenses		(000)	(000)			(000)	(000)
To Cost of Sales		300	390	ByBy Gross Sale		660	850
To Administrative Expenses		80	100	(-)Less : Returns		20	50
To Selling Expenses		50	75	Sales (Net)		<b>640</b>	<b>800</b>

To Finance Expenses	10	6	By Non-Operating Income	20	25
To Non-Operating Expenses	4	6			
To Income Tax Provision	90	120			
To Proposed Dividend	50	65			
To Trf to General Reserve	30	30			
To Retained Earnings	46	33			
	<b>660</b>	<b>825</b>		<b>660</b>	<b>825</b>

Or

Q 3

( 20 Marks)

Rearrange the following information in vertical format and prepare a common size statement.

**Balance Sheet**

Liabilities	Rs (000)	Assets	Rs (000)
Share Capital	200	Cash	55
Reserves and Surplus	500	Debtors	250
12% Debentures	300	Stock	80
Sundry creditors	90	Income Tax Paid	50
Bank Overdraft	25	Investments	100
Income Tax Provision	60	Fixed Assets	640
	<b>1175</b>		<b>1175</b>

**Profit and Loss Account**

Expenses	Rs (000)	Income	Rs (000)
To Opening Stock	25	By Sales	800
To Purchases	505	By Closing Stock	30
To Factory Expenses	100		
To Gross Profit c/d	200		
	<b>830</b>		<b>830</b>
To Expenses:		By Gross Profit b/d	200
Administrative	50	By Non-Operating Income	
Selling	40		
Finance	30		
To Income Tax	40		
To Net Profit	40		
	<b>200</b>		<b>200</b>

Q 4.

(20 Marks)

Derek Industries Ltd. manufactured and sold 1,00,000 of product 'X' in 2018. The production cost per unit was as under:

	Rs
Materials	4
Labour	3
Overheads	1
Total Cost	8
Profits	2
Selling Price	10

For 2019, it is estimated that:

1. The output and sales will be 1,50,000 units.
2. Price of materials will rise by 25%.
3. Wages will rise by 33.33%.
4. Overheads will increase by 50%
5. Selling price per unit will be Rs.15.

It is also estimated that:

1. Raw materials remain in stock for half month before issue to production.
2. Finished goods will remain in go-down for one month before sale.
3. All sales will be on credit and credit allowed to customers will be as follows:
  1. Acceptance of bills of exchange for three months against 40% of sales.
  2. 60% of sales is on one month's credit.
4. Wages and overheads are paid one month in arrears.
5. Creditors offer a credit of one month.
6. Materials will be in process (valued at cost of raw materials plus 50% of labour and overheads) on an average for half month.
7. Cash in hand and with bank should always be Rs. 50,000.

Forecast working capital requirements for the company.

Or

**Q 4.**

**(20 Marks)**

Jacob's Ladder Ltd is considering investing in three alternative projects. Calculate:

- Payback Period
- Payback Profitability
- Net Present Value @ 8%
- Profitability Index
- Discounted Payback Period @ 8%

	<b>Project I</b>	<b>Project II</b>	<b>Project III</b>
Initial Investment	6,00,000	8,00,000	9,00,000
Yr	Cash Inflows	Cash Inflows	Cash Inflows
1	1,75,000	2,00,000	2,25,000
2	1,25,000	1,30,000	2,05,000
3	1,75,000	65,000	1,90,000
4	1,50,000	1,30,000	1,80,000
5	1,00,000	2,50,000	2,20,000
6	1,00,000	3,00,000	4,50,000

For these projects discounting is @ 8%.

The discount factor table @ 8% is as under:

Yr	1	2	3	4	5	6
Discounting Factor @ 8%	0.9259	0.8573	0.7938	0.7350	0.6806	0.6302

**Q 5.**

**(20 Marks)**

- What are common size statement and comparative statements? State any four differences between them.
- What is the time value of money. How is it measured and used in determining project feasibility?

Or

**Q 5.**

**(20 Marks)**

Write short notes on any four:-

- Capital Gearing Ratio
- Non Operating Expenses
- Uses of Ratio Analysis
- Debtors Turnover Ratio
- Discounted Payback Period
- Stock Working Capital Ratio