

Paper-I  
 'C'

Solve either (a) or (b) in each of four questions.

Q.1 a) From the following information prepare a statement showing sources & application of funds for the year ended 31st December 2002 with full working details :

Liabilities	2001 Rs.	2002 Rs.	Assets	2001 Rs.	2002 Rs.
Share Capital	4,50,000	4,50,000	Fixed assets	4,00,000	3,20,000
General reserve	3,00,000	3,10,000	Investments	50,000	60,000
Profit & loss	56,000	68,000	Inventories	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Provision for Tax	75,000	10,000	Bank	1,49,000	1,97,000
Mortgage loan	—	270,000			
	<b>10,49,000</b>	<b>12,42,000</b>		<b>10,49,000</b>	<b>12,42,000</b>

Additional information :

- a) Investments costing Rs. 8,000 were sold during the year 2002 for Rs. 8,500.
- b) Provision for taxation made during the year was 9,000.
- c) During the year part of the fixed assets costing Rs. 10,000 was sold for Rs. 12,000.
- d) Dividend paid during the year amounted to Rs. 40,000.

OR

Q.1 b) Tara Ltd. gives you the following balance sheets for the year ended 31st March, 2002 & 2003. Prepare cash flow statement for the year ended 31st March, 2003

Liabilities	2002	2003	Assets	2002	2003
Equity Capital	1,20,000	1,20,000	Land	2,10,000	2,70,000
Preference Capital	90,000	60,000	building	2,85,000	2,70,750
General Reserve	30,000	39,000	Stock	27,000	36,300
Profit & Loss	15,240	2,80,80	Debtors	43,560	39,480
Outstanding Expenses	9,360	11,040	Prepaid Expenses	8,880	9,000
Reserve for doubtful	3,120	5,100	Bank	15,840	3,240
debts			Preliminary Expenses	6,000	5,400
Creditors					

**Other information :**

- 1) The company paid interim dividend of 5% on equity shares.
- 2) Preference shares were redeemed during the year at 10% premium.
- 3) Income Tax paid during the year is 15,000.

- Q.2 a) Prepare working capital statement from the following information :**  
Production = 52000 units, In 52 weeks. Per unit breakup of cost is as follows :-

	Rs.
Raw Material	400
Labour	150
Overheads	200
Selling price	1,000

**Other information :**

- 1) Raw Material in stock - 4 weeks.
- 2) Work-in -progress - 4 weeks.
- 3) Finished goods in stock - 4 weeks.
- 4) Credit allowed to Debtors - 8 weeks
- 5) Credit allowed by Suppliers - 4 weeks
- 6) Cash at bank Rs.50,000
- 7) all sales are on credit basis.

**OR**

- Q.2 b) Convert the following Balance sheet of x Ltd into vertical form & calculate.**
- |                                      |                                   |
|--------------------------------------|-----------------------------------|
| 1) Proprietary ratio,                | 2) Capital gearing ratio,         |
| 3) Gross profit ratio                | 4) Operating ratio                |
| 5) Return on capital employed ratio. | 6) Return on Equity capital ratio |
| 7) Expense ratio,                    | 8) Not profit ratio.              |

**Balance Sheet**

Liabilities	Amount	Assets	Amount
Share capital	88,000	Fixed assets	1,21,000
Reserves	42,900	Current assets	1,25,400
8% Debentures	22,000		
Current liabilities	93,500		
	<b>2,46,400</b>		<b>2,46,400</b>

**Revenue statement for the year :-**

	Rs.
Sales	3,30,000
(-) Cost of Sales	2,37,600
Gross Profit	92,400
(-) Operating expenses	63,800
Net profit before tax	28,600
(-) Tax	12,100
Profit after tax	16,500
(-) Dividend	8,800
Retained profit	7,700

- Q.3 a) i)** The earning before interest & tax of the company is Rs. 50,000.  
Cost of debt (kd) = 10 % and debentures are Rs. 2,00,000.  
Overall Cost of capital is 12.5 % what is total value of firm & equity capitalisation rate ( ke) ? 9
- ii)** Current dividend is Rs. 10 per share growth rate is 15 % and cost of capital is 14 %. The growth rate till 5th year is 15% & from 6th year it is 6%. Calculate the value of equity share. 6

OR

- Q.3 b) i)** Face value of Debenture is Rs. 1,000. Interest is paid after every Six months Interest Rate is 8% per annum.  
On maturity debenture is repaid at premium of 5 per unit. Debentures are to be repaid after 10 years.  
Discount rate is 8% per annum. Calculate the value of Debenture. 9
- ii)** Mr. X save Rs. 1,000 in two years time deposit scheme which yield 6 per cent P.a. interest compounded semi-annually.  
What is the amount that Mr. X will receive from bank after 2 years? 6

- Q.4 a) Write short notes on :**
- 1) Working capital.
  - 2) Scope of Financial Management.
  - 3) Current assets, Current Liabilities & current ratio. 15

OR

- Q.4 b)**
- 1) Explain the principles of Profit Vs Value maximization.
  - 2) Give note on valuation of Bonds.
  - 3) Explain operating profit. 15

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