

TIME : 2 Hrs.

MARKS : 50

- N. B.** 1) All questions are compulsory Q.3 & Q.4 has internal option.
2) Use of calculator is allowed.

Q.1 Explain the following terms. [15]

- a) Commercial Paper b) Profitability Ratios
c) NPV d) Risk
e) Return on proprietors fund f) Time value of money
g) Investment in gold.

Q.2 The following is the Balance sheet of Sunder Mumbai Ltd. [15]

Balance Sheet as on 31st March 2009

| Liabilities | Rs. | Assets | Rs. |
|----------------------|-----------------|----------------------|-----------------|
| Equity Share Capital | 1,00,000 | Land & Building | 50,000 |
| Profit & Loss A/c | 25,000 | Plant & Machinery | 30,000 |
| Creditors | 15,000 | Furniture | 20,000 |
| Secured Loans | 10,000 | Stock | 15,000 |
| Bank overdrafts | 25,000 | Debtors | 15,000 |
| Provision for Tax | 5,000 | Investments | 12,500 |
| Outstanding Expenses | 5,000 | Cash | 17,500 |
| | | Goodwill | 20,000 |
| | | Preliminary Expenses | 5,000 |
| | 1,85,000 | | 1,85,000 |

Additional information :

- a) Sales Rs. 1,50,000
b) Gross profit on sales 10%

Re-arrange the above Balance sheet in vertical form and calculate :

- 1) Stock Turnover Ratio. Opening stock on 1.04.2008 was Rs. 70,000.
- 2) Current Ratio
- 3) Debtors Turnover Ratio
- 4) Quick Ratio
- 5) Debt Equity Ratio

Q.3 What is a risk ? Explain different kind of risks involve in investments. [15]

OR

Rs. 11,000. Each will continue for 5 years and it has been decided that a discount rate of 10% is acceptable for all thea. The expected cash flows for these projects are :

[10]

| Year | A Rs. | B Rs. | C Rs. |
|------|----------|----------|----------|
| I | 1,000 | 2,000 | 3,000 |
| II | 2,000 | 3,000 | 4,000 |
| III | 3,000 | 5,000 | 3,500 |
| IV | 4,000 | 3,000 | 2,500 |
| V | 5,000 | 2,000 | 2,000 |

The discount factor at 10% is

| | | |
|-----|---|-------|
| I | - | 0.909 |
| II | - | 0.826 |
| III | - | 0.751 |
| IV | - | 0.683 |
| V | - | 0.621 |

Which project would you recommend and why ?

b) Calculate the expected rate of return from the following information relating Bootex Ltd.

[5]

| State of Economy | Probability of occurrence | Rate of return |
|------------------|---------------------------|----------------|
| Boom | 0.40 | 30% |
| Normal | 0.30 | 40% |
| Reversion | 0.30 | 30% |

Q.4 a) What is an investment ? What are the objectives of investment ?

[8]

b) What are the guidelines for financial statement analysis.

[7]

OR

Q.4 Short Notes on :

a) PPF

[7]

b) Limitations of ratio analysis

[8]

