FY (FM)
Mgt- Accts

8/3/13

LM3 ACG

TIME : 2 Hrs. **MARKS : 60**

Note

1) All questions are compulsory, subject to internal choice.
2) Each question carries 15 marks.

Q.1. a) Explain the functions of Management Accountants. (8)

b) Write a short notes on Current Ratio and Quick Ratio. (7)

OR

Q.1. a) Explain the advantages of vertical form of presenting Financial statements. (8)

b) Discuss the five broad phases of capital budgeting. (7)

Q.2. Calculate operating leverage, financial leverage and combined leverage under financial plans A & B respectively. (15)

Installed capacity	-	2,000 units
Actual production and sales	-	50% of installed capacity
Selling price per unit	-	Rs. 20
Variable cost per unit	-	Rs. 10
Fixed cost	-	Rs. 4,000

Capital structure

	Financial Plan	
	A (Rs.)	B (Rs.)
Equity	5,000	15,000
10% Deventure	15,000	5,000
Total	20,000	20,000

OR

Q.2. a) What do you mean by Hire purchase ? What are the parties to Hire purchase Agreement ? (8)

b) What are the stpes in Credit Analysis of Receivables Management ? (7)

P.T.O.

Q. 3. The Balance sheet of Sagar Ltd. are as follows. (15)

Balance sheet as on 31st December.

Liabilities	2011 Rs.	2012 Rs.	Assets	2011 Rs.	2012 Rs.
Equity share capital	1,50,000	2,50,00	Goodwill	55,000	45,000
General Reserve	-	30,000	Land Building	80,000	90,000
Profit Loss A.c	-	29,000	Plant & Machinery	40,000	1,00,000
Debentures	1,00,000	-	Stock	42,000	53,000
Sundry creditors	57,000	46,000	Debtors	90,000	98,000
Bills Payable	30,000	6,000	Bill Receivable	8,000	12,000
Provision for Tax	-	25,000	Prepaid Expenses	6,000	4,000
Proposed Dividend	-	20,000	Cash in Hand	10,000	4,000
			Profit & Loss A/c	6,000	-
	3,37,00	4,06,000		3,37,000	4,06,000

Additional Information :

1) During the year 2012 Depreciation of Rs. 8,000 and Rs. 10,000 have been charged an Land and Building and Plant and Machinery respectively.
2) An Interim Dividend of Rs. 7,500 was paid during the year 2012.
3) During the year 2012 Machinery having a Book value of Rs. 8,000 sold for Rs. 7,000.

Prepare a Cash Flow statement (by Indirect Method) For the year ended 31st December 2012.

OR

Q. 3. M/s. Orbit Techonologies Ltd. has the following. Capital structure :

Equity Share Capital (4 lacs shares)	Rs. 1,00,00,000
10% Preference share capital	Rs. 20,00,000
15% Debentures	Rs. 60,00,000

The shares of the Company are traded at Rs. 25 per share. It is expected that the company will earn post tax profits of Rs. 20 lacs (Income Tax assured to be 40%)

The Company wishes to raise further funds of Rs. 50 lacs and has the following options :

(1) Issue new 15% deventures and 10% preference shares

(2) Issue of 10% preference share to the extent of 25%, balance by way of 15% debentures.

(3) Issue new debenture carrying 14% Interest rate.

As a Financial Manager, which of the above proposed would you recommend ? (15)

Q. 4. Vision Ltd. has the choice to select any one of the project A & B which involves outflow of Rs. 40,000 & Rs. 30,000 respectively.

The Profit before depreciation and tax are as below.

Year	Project A Rs.	Project B Rs.
1	8,000	-
2	10,000	9,000
3	15,000	10,000
4	19,000	10,000
5	-	12,000

You can assume that depreciation is charged on straight line basis, cost of capital is 12% and corporate tax rate is 40%

Which project should be selected based on :

(a) Payback Period Method

(b) Net present value Method

(c) Profitability Index. (15)

OR

Q. 4. The management of Royal Industries has called for a statement showing the working capital needs 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 :

Particulars	Cost Per unit
Raw materials	20
Direct Labour	5
Overheads (Including depreciation of Rs. 5 per unit)	15
	40
Profit	10
Selling price	50

Additional Information :

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

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

(c) Work in progress (assume50% completion stage) will approximate to half a month's production

(d) Finished goods remain in ware house on an average for a month.

(e) Suppliers of materials extend a month's credit and debtors are provided two months credit.. Cash sales are 25% of total sales.

(f) There is a time-lag in payment of wages of a month and half a month in case of overheads

From the above facts, you are required to :

(i) Prepare a statements showing working capital needs. (15)