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

Note:
1) **All questions are compulsory, subject to internal choice.**
2) **Each question carries 15 marks**
3) **Use of a simple calculator is allowed**

Q.1 A. What are the qualities of a Management Accountant? **(8)**

Q.1 B. What are the role of Leasing and its advantages and disadvantages? **(7)**

OR

Q.1 A. What are the classifications of Ratio? **(8)**

Q.1 B. What are working capital and its types? **(7)**

Q.2 **(15)**

From the information given below prepare a Balance Sheet in Vertical Form suitable for analysis.

Particulars	(Rs. '00s)
Current Account with Bank of India	50,000
Land and Building	8,00,000
Advance Payment	62,000
Stock	2,73,000
Creditors	4,06,000
Debtors	5,23,000
Bills Receivable	21,000
Plant & Machinery	5,44,000
12%Debentures	2,50,000
Loan from a Director	52,000
Equity Share Capital	10,00,000
Profit & Loss a/c	2,17,000
Trade Investment	20,000
Proposed Dividend	86,000
Advance Tax	1,00,000
Provision for Taxation	2,64,000
Bills Payable	18,000
General Reserve	1,00,000

OR

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Q.2. **(15)**

Balance Sheets of a company as on 1st January and 31st December, 2003 were as follows:

Liabilities	2002	2003	Assets	2002	2003
Share Capital	35,000	37,000	Cash	4,500	3,500
Debentures	6,000	3,000	Debtors	7,450	8,250
Creditors	5,180	5,920	Stock	24,600	22,350
Prov. For	350	400	Land	10,000	15,000
Doubtful	5,020	5,280	Goodwill	5,000	2,500
Profit and Loss	51,550	51,600		51,550	51,600

Additional Information available is:

(a) Dividends paid amounted to Rs. 1750.

(b) Land was purchased for Rs. 5000 and amount provided for the amortization of goodwill amounted to Rs. 2500.

(c) Debentures were repaid to the extent of Rs.3000.

You are required to prepare Cash Flow Statement.

Q.3 **(15)**

The management of Gemini Enterprises has called for a statement showing the working capital required 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 level of activity is detained below:

	Cost per Unit Rs.
Raw Material	20
Direct Labour	5
Overheads	15
Total Cost	40
Profit	10
Selling Price	50

Additional information:

i) Minimum cash balance desired Rs. 20,000.
ii) Raw materials are held in stock, on an average for two months.
iii) Work in progress will approximate to half a month's production.
iv) Finished goods remain in warehouse on an average for one month.
v) Suppliers of raw materials extend one month's credit and debtors are given two month's credit. Cash sales are 25% of total sales.
vi) There is a time-lag in payment of wages of one month and a half a month in case of overheads.

Prepare an Estimate of Working Capital requirement.

OR

Q.3 A. **(10)**

Prepare Collection from Debtors of Salmaan Ltd. for 3 months commencing from April with help of following information.

i) Cash sales are 25% of total sales.

ii) 60% of credit sales are collected in the same month and balance 40% in the following month.

Month	Sale
March	16,00,000
April	6,00,000
May	8,00,000
June	8,00,000
July	12,00,000

Q.3 B. **(5)**

(i) Find the Operating Leverages from the following data:

Sales	Rs. 50,000
Variable Cost	60%
Fixed Cost	Rs. 12,000

(ii) Find the Financial Leverages from the following Ratio:

Net Worth	Rs. 25,00,000
Debt / Equity	3:1
Interest Rate	12%
Operating Profit	Rs. 20,00,000

Q.4 **(15)**

A company can make either of two investments at period t_0. Assuming a required rate of return of 10%, determine for each project:

(a) the pay back period,

(b) the discounted pay back period,

(c) the profitability index

You may assume straight line depreciation.

	P	Q
Cost of Investment (Rs.)	2,00,000	2,80,000
Expected Life (no salvage)	5 years	5 years
Projected net income		
(Net profit after tax and depreciation)		
Year	Rs.	Rs.
1	10,000	24,000
2	10,000	24,000
3	20,000	24,000
4	20,000	24,000
5	20,000	24,000

OR

P.T.O.

Q.4 A **(15)**

A company's capital structure consists of the following:

Particulars	Rs.
Equity Shares of Rs.100 each	20 Lakhs
Retained Earnings	10 Lakhs
9% Preference Share	12 Lakhs
7% Debenture	8 Lakhs
Total	50 Lakhs

The company EBIT after expansion is 12% on capital. The income Tax rate is 50%. The company requires a sum of Rs. 25 Lakhs to finance expansion programme for which following alternatives are available to it.

i) Issue of 20,000 Equity Shares at a premium of Rs. 25 per share.
ii) Issue of 10% Preference Share.
iii) Issue of 8% Debentures.

Which of the three financing alternative would you recommend and why?