

Time : 2 hrs.

**CODE - SACHEL**

Marks :60

**Note :** All questions are compulsory.

**Q.1** Balance Sheet of RT Ltd. as on 31-12-2004 and 31.12.05

Liabilities	2004	2005	Assets	2004	2005
Preference share Capital	-	400,000	Fixed Assets	700,000	10,00,000
Equity share Capital	5,00,000	5,00,000	Investment	100,000	1,20,000
Reserves & Surplus	1,35,000	171,500	Stock	150,000	180,000
12% Debentures	200,000	-----	Debtors	236,000	244,000
Bank Overdraft	50,000	80,000	Cash	24,000	2,500
Sundry creditors	150,000	125,000			
Provision for Taxation	75,000	120,000			
Proposed Dividend	100,000	150,000			
	<b>12,10,000</b>	<b>15,46,000</b>		<b>12,10,000</b>	<b>15,46,000</b>

Prepare Comparative Balance sheet in vertical form and comment on it

**OR**

**Q.1** What is financial Management? Explain the functions of a finance manager. How financial Management is different from financial Accounting.

**Q.2** Following is the Balance Sheet and Profit and Loss Accounts for the year ended 31/03/05.

**SLG Ltd.**

**Balance Sheet as on 31/03/05**

<b>Total Funds Employed :</b>		<b>Rs.</b>	<b>Rs.</b>
<b>i) Proprietary Funds</b>			
Equity share capital		2,00,000	
General Reserves		40,000	
Profit & Loss A/c		60,000	3,00,000
<b>ii) Long Term Liabilities</b>			
8% Mortgage Loan		100,000	
9% Fixed Deposits		60,000	1,60,000
	<b>Total</b>		<b>4,60,000</b>
<b>Employed As Under:</b>			
<b>i) Fixed Assets:</b>			
Goodwill		1,20,000	
Land and Building		1,20,000	
Plant and Machinery		1,60,000	4,00,000
<b>ii) Long Term Investment</b>			Nil
<b>iii) Working Capital :</b>			
<b>Current Assets :</b>			
Debtors.	40,000		
Stock	1,49,000		
Cash	11,000	2,00,000	
<b>Less : Current Liabilities</b>			
Creditors	80,000		

**SLG Ltd.**  
**Revenue statement for the year ended 31/03/05**

	Rs.	Rs.
Sales		850,000
<u>Less : Cost of sales</u>		
Opening stock	99500	
Purchases	545250	
Incidental charges	14250	
<u>Less :</u>	659000	
Closing stock	1,49,000	510,000
Gross Margin		340,000
<u>Less : Operating expenses.</u>		
Office expenses	150,000	
Selling and distribution	30,000	
Finance	15,000	195,000
Net Profit Before Tax		145,000
<u>Less : Income Tax</u>		45,000
Net Profit After Tax		100,000

**You are required to calculate:**

- 1) Current Ratio
- 2) Debt - Equity Ratio
- 3) Stock - Working Capital Ratio
- 4) Proprietary Ratio
- 5) Debtors Turnover Ratio
- 6) Creditors Turnover Ratio
- 7) Gross Profit Ratio
- 8) Net Profit Ratio
- 9) Operating Ratio

**OR**

- Q.2** You are given the following ratios of AXEXA Ltd. and you are also given the industry average.

	<b>Ratios Considered</b>	<b>AXEXA Ltd.</b>	<b>Industry Average</b>
1)	Current Ratio	2.67 : 1	2.40 : 1
2)	Liquid Ratio	1 : 1	1.20 : 1
3)	Debtors Turnover Ratio	10	8
4)	Inventory Turnover Ratio	3.33	9.80
5)	Net Profit Margin	2.1%	3.3%
6)	Return on Total Assets	3%	6.6%
7)	Return on Net Worth	4.8%	10.7%

Using the given ratios indicate the company's strengths and weakness

**Q.3 Prepare fund flow statement for the year ended 31-03-05**

	<b>31-03 2004</b>	<b>31-03 2005</b>		<b>31-03 2004</b>	<b>31-03 2005</b>
Equity share capital	4,50,000	4,50,000	Fixed Assets	4,00,000	320,000
General Reserves	300,000	310,000	Investment	50,000	60,000
P&L A/c	56,000	68,000	Stock	240,000	210,000
Creditors	168,000	134,000	Bank Balance	149,000	197,000
Mortgage Loan	-----	270,000	Debtors	210,000	455,000
Provision for Taxation	75,000	10,000			
	<b>10,49,000</b>	<b>12,42,000</b>		<b>10,49,000</b>	<b>12,42,000</b>

**Further information.**

- 1) During the year, part of the fixed assets worth Rs. 10,000 was sold for Rs. 12,000 The profit was included in the P & L A/c
- 2) Dividend paid during the year was Rs. 40,000.
- 3) Investment costing Rs. 8,000 were sold during the year for Rs. 7,000.
- 4) Provision for taxation made during the year Rs. 9,000.

**OR**

**Q.3** What is working Capital? Explain various factors determining the requirement of working capital.

**Q.4** Critically analyse debentures as a source of financing. How is it different from equity shares. Explain.

**OR**

**Q.4** Explain various sources of Long term and short term financing for a commercial organisation.

