SYBBI - fin mgmt 4/10/16

PQ10ADP

L

Marks 75 **Duration 2hrs** 30min

All the questions are compulsory carrying 15 marks each.

Q.1)

a) What are the qualitites of finance manager? **(8M)**

b) Complete the following income statement **(7M)**

Particulars	31.03.2004	31.03.2005	31.03.2006	31.03.2007	31.03.2008	31.03.2009
Sales(Rs)	100,000	1,20,000	1,40,000	1,60,000	1,80,000	2,00,000
Less- Cost of Sales	60,000	72,000	84,000	?	?	?
Gross Profit	40,000	48,000	56,000	?	`?	?
Less- Operating Expenses:						
A) Management Expenses	6000	6400	6800	?	?	?
B) Sales Expenses	10,000	12,000	14,000	?	?	?
C) Finance Expenses (Debenture Interest)	6000	6000	6000	?	?	?
Total Expenses (A+B+C)	22,000	24,000	26,800	?	?	?
Net Profit Before Depreciation and Tax	`18,000	23,600	29,200	?	?	?
Less- Depreciation	10,000	10,000	10,000	10,000	10,000`	10,000
Net Profit Before Tax	8,000	13,600	19,200	?	?	?
Less- Tax @ 50%	4,000	6,800	9,600	?	?	?
Net Profit After Tax	4,000	6,800	9,600	?	?	?

1) Cost of Sales is 60% of sales even for 2007, 2008 and 2009.
2) Management expenses will rise by Rs 400 each year.
3) Sales expenses are 10% of sales. Depreciation is fixed every year.
4) 10% Debentures are to be redeemed in 3 annual equal instalments commencing from 31.03.2007.

OR

Q.1) The following data is available for Stars Ltd and the Income Statement is given

Particulars	2012 (Amount in Rs)	2013 (Amount in Rs)
Sales	800	?
Costs	600	?
Taxable Income	200	?

PQ10ADP

Taxes	21	?
Net Profit After Tax	179	?
Divedends	69	?
Retained Earnings	110	?

Balance Sheet as on 31 st March

Liabilities	2012(Rs)	2013(Rs)	Assets	2012(Rs)	2013(Rs)
Current Liabilities-			Current Assets-		
Accounts Payable	280	?	Cash	600	?
Bills Payable	250	?	Accounts Receivbale	500	?
Total Current Liabilities	530	?	Inventory	500	?
Long Term Liabilities-			Total Current Assets	1600	?
Long Term Debt	1120	?	Fixed Assets-		
Total Long Term Liabiloties	1120	?	Net Fixed Assets	600	?
Owner's Equity-					
Equity Share Capital	180	?			
Retained Earnings	370	?			
Total Owner's Equity	550	?			
Total Liabilities	2200	?	Total Assets	2200	?

Other details-

It is forecasted that sales will rise by 25%. Use" Percentage of Sales" method approach to determine the External Funding Needed, assume that the funds are raised by Equity Share Capital and that Long Term Debts and Bills Payable remains constant.

Q.2) Calculate the given ratios from the follwing data and offer your comments **(15M)**

1. Current Ratio
2. Liquid Ratio
3. Operating Ratio
4. Stock Turnover Ratio
5. Proprietary Ratio
6. Debtors Turnover Ratio and collection period in months

Trading Profit and Loss Account for year ended 31st Dec 2013

	Rs		Rs
To Opening Stock	35,000	By Sales	830,000
To Purchases	750,000	By Closing Stock	80,000
To Gross Profit	125,000		
	910,000		910,000
To Office expenses	18,000	By Gross Profit	1,25,000
To Selling Expenses	37,000	By Interest	5,000
To Tax Provision	20,000		

To Proposed Dividend	8,000		
To Net Profit	47,000		
Total	1,30,000	Total	1,30,000

Balance Sheet as on 31st Dec 2013

Liabilities	Rs	Assets	Rs
Share Capital	1,50,000	Goodwill	10,000
Bank Overdraft	19,000	Cash	24,000
Creditors	13,000	Stock	80,000
Tax Provision	20,000	Debtors	69,250
Proposed Divedend	8,000	Land and Building	32,000
Profit and Loss Account	90,000	Plant and Machinery	50,500
		Prepaid Expenses	750
		Fictitious Assets	3500
		Bills Receivable	30,000
Total	3,00,000	Total	3,00,000

OR

Q.2) Arrange the given Income Statement and Balance Sheet in vertical format. **(15M)**

Profit and Loss Account for year ended------

	Rs		Rs
To Opening Stock	70,000	By Sales	16,60,000
To Purchases	15,00,000	By Closing Stock	1,60,000
To Gross Profit c/d	2,50,000		
	18,20,000		18,20,000
To Depreciation on Office Equipments	36,000	By Gross Profit b/d	2,50,000
To Office and Admin Expenses	50,000	By Interest	10,000
To Selling and Distribution Expenses	24,000		
To Provision for Income Tax	40,000		
To Proposed Dividend	16,000		
To Net Profit c/d	94,000		
Total	2,60,000	Total	2,60,000

Balance Sheet as on-------

Liabilities	Rs	Assets	Rs
Share Capital	3,00,000	Goodwill	20,000
Reserves and Surplus	1,80,000	Cash in Hand	8,000
Proposed Dividend	16,000	Stock in Trade	1,60,000
Bank Overdraft	38,000	Debtors	1,78,500
Sundry Crediors	26,000	Land and Building	70,000
Provision for Tax	40,000	Plant and Machinery	95,000

		Prepaid Expenses	1,500
		Expenses on Issue of shares	7,000
		Investments	60,000
Total Liabilities	6,00,000	Total Assets	6,00,000

Q.3) Prepare a Cash Budget for three months from January 2011 to March 2011

Month	Sales	Purchases	Wages	Direct Expenses	Office Expenses	Overheads
Dec 2010	58,000	38,000	10,000	9,000	800	7,000
Jan .2011	97,000	27,000	14,000	8,000	800	6,000
Feb.2011	82,000	26,000	10,000	7,000	900	3,000
Mar.2011	98,000	24,000	20,000	5,000	900	4,000

Other Information-

1. Opening Cash balance on 1st January 2011 was Rs 25,000.
2. 30% of the sales are on cash basis and remaining is realised after 1 month credit period.
3. The creditors are also offering the one month credit period.
4. Lag in Payment of wages is ½ month and lag in payment of overheads is ¼ month.
5. Direct expenses and office expenses are paid in the same month in which they are incured.
6. Dividend on Investments to be received Rs 5000 in March 2011.
7. Received Rs 4000 on sale of shares in February 2011.
8. Tax payable in March 2011 Rs 9000
9. Recived Rs 11000 on sale of machinery in January 2011. **(15M)**

OR

Q.3) ABC Co LTD manufactures 7500 units by utilising its 75% capacity. **(15M)**

Cost Information at 75% Capacity Utilization (for 7500Units)

Particulars	Rs
Direct Materials	7,50,000
Direct Labour	6,00,000
Direct Expenses	3,00,000
Factory Overheads	4,50,000
Office Overheads	3,00,000
Selling Overheads	1,50,000

Other Information-

1. Direct Material, Direct Labour and Direct Expenses are variable cost.
2. Factory Overheads per unit increased by 10% if the capacity utilisation goes down below 75% and decreases by 15% if capacity utilisation goes up above 75%.
3. Office overheads are fixed overheads.
4. Selling overheads per unit will rise by 20% if capacity uitliosation goes down below 75% and falls by 25% if the capacity goes up above 75%.

5. Company is having a policy of charging a profit at 25% on cost price.
   You are required to prepare flexible budget at 50%, 75% and 100% capacity.

Q.4)

a) Explain the Debentures as a source of finance. **(8M)**

b) Write in detail about Rights Issue of Shares. **(7M)**

OR

Q.4)

a) Discuss the concept of Ploughing back of profits. **(8M)**

b) Distinguish between Equity Shares and Preference Shares **(7M)**

Q.5) Write Shortnotes on (any 3) **(15M)**

1. Profit Maximization
2. Balance Sheet Ratios
3. Owned Funds
4. Public Deposit
5. Horizontal Financial Statements.