

Q.P. Code:00005302

[Time:2.30 Hrs]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All question are compulsory.
 2. Figures to the right indicate full marks.
 3. Working note should form part of main answer
 4. Use of simple calculators is allowed

Q. 1. A. Multiple Choice Questions: (any eight)

08

1. Short term obligations which are payable within the operating cycle period or within a year are called _____.
a) Quick Liabilities b) Current Liabilities c) Current Assets d) Non-Current Liabilities
2. Underwriting commission is a/an _____.
a) intangible Assets b) Fictitious Asset c) Tangible Asset d) Fixed Asset
3. Debt Equity Ratio is an example of _____.
a) Balance Sheet Ratio b) Composite Ratio
c) Collection efficiency d) Short term financial position
4. _____ is an example of liquidity ratio.
a) propriety ratio b) current ratio
c) return on proprietor's ratio d) debtors' turnover ratio
5. The minimum amount of working capital required by a concern to enable it to operate at the lowest level of activity is called _____.
a) Temporary working capital b) Gross working capital
c) Permanent working capital d) No working capital
6. Shortage of working capital may result in _____.
a) poor credit standing b) excess working capital
c) higher cash discount d) higher trade discount
7. Current Assets ₹ 2,80,000, Current Liabilities ₹ 180,000. The amount of Working Capital is _____.
a) ₹ 90,000 b) ₹ 1,00,000 c) Rs 2,70,000 d) None of the above
8. In a cash flow statement, redemption of preference shares is shown as _____.
a) Cash flow from operating activities. b) Cash flow from investing activities.
c) Cash flow from financing activities. d) None of the above.
9. In Cash flow statement, Preliminary expenses written off is _____.
a) added to Book Profit b) Deducted from Book Profit
c) Treated as Cash Inflow d) Treated as Cash Outflow.
10. In a cash flow statement, purchase of investments is shown as _____.
a) Cash flow from operating activities. b) Cash flow from investing activities.
c) Cash flow from financing activities d) None of the above.

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Q. 1. B. State whether the following statements are true or false. (any seven) 07

1. Authorized capital is the minimum capital that can be raised by a company.
2. Profit on sale of machinery is an operating income.
3. Liquid ratio indicates the company's ability to meet its long-term liabilities.
4. High proprietary ratios indicates low risk for the creditors.
5. Higher Bank Overdraft means higher working capital.
6. The permanent working capital will remain in the business until the business is closed down.
7. Depreciation is a cash business expenditure.
8. Public Deposit accepted by a company are not a part of Shareholders Fund.
9. The statement of cash flows shows not only the amount of cash used during a particular time, but also how the cash was used.
10. For the purpose of statement of cash flows, "Cash" includes cash on hand, cash in the bank and cash equivalents.

Q. 2. A. Following is the Balance Sheet of Leo Ltd as on 31st March, 2023: 15

Liabilities	Amount (in ₹)	Assets	Amount (in ₹)
Share Capital	3,00,000	Goodwill	40,000
Securities Premium	10,000	Land	1,60,000
General Reserve	1,20,000	Plant	88,000
Profit and Loss A/c	34,000	Furniture	6,000
11% Debentures	1,00,000	Trade Investment	1,60,000
Bank Loan	70,000	Debtors	1,40,000
Bank Overdraft	40,000	Inventories	1,20,000
Sundry Creditors	1,20,000	Prepaid Expenses	10,000
Provision for Taxation	20,000	Cash	80,000
		Preliminary Expenses	10,000
	8,14,000		8,14,000

Present the above Balance Sheet in vertical form and calculate the following:

1. Fictitious Assets
2. Working Capital
3. Long term Liabilities
4. Net worth
5. Current Assets

OR

Particulars	2021 (in ₹)	2022 (in ₹)	2023 (in ₹)
Sales	50,50,000	70,00,000	80,00,000
Less: Cost of Sales	32,00,000	38,00,000	46,00,000
Gross Margin	18,50,000	32,00,000	34,00,000
Admin Expenses	3,00,000	3,50,000	4,00,000
Selling Expenses	5,00,000	6,00,000	7,20,000
Interest on Loans	2,00,000	5,00,000	7,00,000
Total Expenses	10,00,000	14,50,000	18,20,000
Net Profit Before Tax	8,50,000	17,50,000	15,80,000
Less Depreciation	5,00,000	4,50,000	6,00,000
Profit Before Tax	3,50,000	13,00,000	9,80,000
Less Income Tax	80,000	2,00,000	1,85,000
Profit After Tax	2,70,000	11,00,000	7,95,000

Q.2. C. From the following information for year ending 2016. Prepare common size income statements in vertical form. **05**

Particulars	2016 in Rs
Sales	7,50,000
Closing Stock	1,50,000
Opening Stock	1,25,000
Purchases	2,25,000
Wages	1,50,000
Manufacturing Expenses	75,000
Administrative Expenses	25,000
Selling and Distribution Expenses	37,500
Interest on Debentures	5,000

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Q. 3. A. The summarized accounts of BB Ltd and CC Ltd are as follows:

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Balance Sheet

Liabilities	BB Ltd	CC Ltd	Assets	BB Ltd	CC Ltd
Share Capital	88,000	88,000	Fixed Assets	1,21,000	97,000
Reserves	42,000	42,000	Current Assets	1,25,000	1,03,000
8% Debentures	22,000	22,000			
Current Liabilities	94,000	55,000			
	2,46,000	2,00,000		2,46,000	2,00,000

Revenue Statement for the year:

Particulars	BB Ltd in Rs	CC Ltd in Rs
Sales	3,40,000	2,64,000
Less: Cost of Sales	2,97,000	1,98,000
Gross Profit	43,000	66,000
Less: Operating profit	23,000	44,000
Net Profit Tax	20,000	22,000
Less : Tax	12,000	9,000
Profit After Tax	8,000	13,000
Less: Dividend Fund	1,000	7,000
Retained Earnings	7,000	6,000

You are required to calculate following ratios and comment on performances of the companies.

1. Net profit after Tax Ratio
2. Operating Ratio
3. Capital Gearing Ratio
4. Return on Proprietors Equity Ratio

Note : Conversion of statements in vertical form not required

OR

Q. 3. B. Calculate the ratios for LT Ltd from following information.

15

Liabilities	In Rs	Assets	In Rs
Equity capital	24,00,000	Net Fixed Assets	12,10,000
10% debentures	4,60,000	Cash	4,40,000
Sundry Creditors	3,30,000	Sundry Debtors	5,50,000
Bills payable	4,40,000	Stock	16,50,000
Other current liabilities	2,20,000		
	38,50,000		38,50,000

Particulars	In Rs	Total in Rs
Sales		55,00,000
<u>Less: cost of goods sold</u>		
Material	20,90,000	
Wages	13,20,000	
Factory overheads	6,49,000	40,59,000
Gross profit		14,41,000
Less : selling expenses	5,50,000	
Administrative expenses	6,14,000	11,64,000
Earnings before Int. and Tax		2,77,000
Less: interest		46,000
Earnings before tax		2,31,000
Less: tax(50%)		1,15,500
Earnings after tax		1,15,500

1. Current ratio
2. Liquid ratio
3. Proprietary ratio
4. Operating ratio
5. Stock turnover ratio
6. Capital gearing ratio
7. Return to capital employed

Q. 4. A. Following are Summary Balance Sheets of Nano Ltd as on 31st March, 2022 and 31st March 2023. **15**

Liabilities	31/3/22	31/3/23	Assets	31/3/22	31/3/23
Share Capital	10,00,000	10,00,000	Land and Building	10,00,000	9,50,000
General Reserve	3,00,000	3,00,000	Plant and Machinery	8,00,000	7,00,000
Profit & Loss A/c	2,02,000	1,40,000	Sundry Debtors	3,08,000	5,14,000
Bank Loan	3,00,000	3,50,000	Equipment	80,000	70,000
Provision for tax	1,00,000	1,00,000	Stock	1,40,000	2,00,000
Sundry Creditors	4,60,000	5,50,000	Cash	20,000	6,000
			Goodwill	14,000	-
	23,62,000	24,40,000		23,62,000	24,40,000

1. Dividend of Rs 50,000 was paid during the year ended 31st March 2017.
2. Depreciation was provided on Land and Building, Plant and Machinery and Equipment for the year ended 31st March 2017.
3. Machinery of 50,000 Rs and equipment of Rs 20,000 were acquired during the year ended 31st March 2017.
4. Income tax provision was made for the year ended 31st March 2017 of Rs 1,30,000.

Prepare Cash Flow Statement by Indirect Method as per AS 3 for the year ended 31st March 2017.

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- Q. 4. B.** The management of Ram Industries has called for a statement showing the working capital 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: **08**

Particulars	Cost Per Unit (in ₹)
Raw Material	20
Direct Labor	05
Overheads	15
Total Cost	40
Profit	10
Selling Price	50

Additional Information:

1. Minimum desired cash balance is Rs 20,000.
2. Raw Materials are held in stock, on an average for two months.
3. Work-in-Progress (Assume 50% completion stage) will approximate to half a month's production.
4. Finished goods remain in warehouse, on an average for a month.
5. Suppliers of material extend one month's credit and debtors are provided two month's credit.

Form the above facts, you are required to prepare a statement showing working capital needs.

- Q. 5. A** Cash Flow from Financial Activities (As per AS 3) **08**

- Q. 5. B** What are the components of Financial Statements? Explain the objectives of Financial Statements. **07**

OR

- Q. 5. C** Short Notes (any 3 out of 5) **15**

1. Functions of Management Accountant
2. Gross Working Capital
3. Operating Expenses
4. Combined Ratios
5. Advantages of Ratio Analysis
