**NOTE:**

1. **Answer question 1 and any FOUR from questions 2 to 7.**
2. **Parts of the same question should be answered together and in the same sequence.**

**Time: 3 Hours** **Total Marks: 100**

**1.**

a) Distinguish between Trial Balance and Balance Sheet.

b) From the following data calculate:
  i) P V Ratio
  ii) Break Even Point in units and in Rupee sales.
  Fixed cost is Rs. 12,000/-, selling price is Rs. 12/- per unit, variable cost is Rs. 9/- per unit.

c) A firm purchases a machinery for Rs. 8,00,000 by making a down payment of Rs. 1,50,000 and the reminder in equal installments of Rs. 1,50,000/- for six years. What is the rate of interest to the firm?

d) Calculate EPS and P/E from the following:-

| | |
|---|---|
| 9% preference shares of Rs. 100 each | Rs. 10,00,000/- |
| Equity share capital of Rs. 10 each | Rs. 40,00,000/- |
| | Rs. 50,00,000/- |

Following additional information is provided

| | |
|---|---|
| Depreciation | Rs. 2,90,000/- |
| Profit after Tax | Rs. 22,00,000/- |

Market price of equity shares:- Rs. 20/- each.

e) Record any four of the following transactions in journal.
  i) Mr. R started business with a capital of Rs. 10 Lakhs, paid in cash.
  ii) Purchased Furniture for Rs. 60,000/- for cash.
  iii) Purchased a computer for Rs. 2,00,000/- on credit from HCL computers.
  iv) Purchased goods from X Co. for cash Rs. 20,000/-.
  v) Opened a bank account with Rs. 2,00,000/-.
  vi) Sold Goods on credit to Y Rs. 20,000/-.

f) Distinguish between opportunity cost and imputed cost.

g) Distinguish between Capital Expenditure and Revenue Expenditure.

**(7x4)**

2. On March 31, 2015 the following Trail Balance was extracted from the books of W. brothers:

| Particulars | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|---|---|---|
| Capital A/c | - | 1,00,000 |
| Plant & Machinery | 1,00,000 | - |
| Sales | - | 4,07,000 |
| Purchases | 2,60,000 | - |
| Return | 6,000 | 5,750 |
| Opening Stocks | 40,000 | - |
| Discounts | 350 | - |
| Bank Charges | 75 | - |
| S. Debtors | 45,000 | - |
| S. Creditors | | 35,000 |
| Salaries | 26,800 | - |
| Wages | 30,000 | - |
| Carriage | 1,950 | - |
| Bad Debts Provision | - | 1,325 |
| Rent, Rates & Taxes | 10,000 | - |
| Advertising | 2,000 | - |
| Cash in Hand | 900 | - |
| Cash at Bank | 6,000 | - |
| Furniture & Fitting | 20,000 | - |
| | 5,49,075 | 5,49,075 |

You are required to prepare Trading and Profit and Loss Accounts for the year ended 31st March, 2015 and the Balance Sheet, as on the date. The following adjustments are required:

i) Closing Stock Rs. 35,000.
ii) Depreciation on Plant and machinery @ 15% p.a., and on furniture and fittings @10% p.a., to be provided.
iii) Bad Debts provision to be adjusted to Rs. 500.
iv) Interest on Capital to be allowed at 10% p.a.
v) 15% of the profit remaining after charging interest on capital to be carried to General Reserve.

**(18)**

**3.**

a) Management of T Ltd. Has the option to buy either Machine A or Machine B. Machine A has a cost of Rs. 75,000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flows of Rs. 20,000 per year. Machine B on the other hand would cost Rs. 50,000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flow of Rs. 15,000 per year. Assuming that the cost of capital of T Ltd. Is 10 per cent, you are required to calculate:
   i) Net Present Value for each Machine.
   ii) Internal Rate of Return for each machine.
   iii) Which machine should be recommended and why?

b) Calculate Operating and Financial Leverage from the following data of Gogna Ltd.:

| | |
|---|---|
| Earning Before Interest and Taxes (EBIT) | Rs. 20,00,000 |
| Profit After Tax (PAT) | Rs. 9,00,000 |
| Operating Fixed Cost | Rs. 15,00,000 |
| Tax Rate | 40% |

**(12+6)**

**4.**

a) A department of AXY company attains sales of Rs. 6,00,000 at 80% of its normal capacity. Its expenses are given below:

| | Rs. |
|---|---|
| Office salaries | 90,000 |
| General Expenses | 2% of sales |
| Depreciation | 7,500 |
| Rent and rates | 8,750 |
| **Selling Costs:** | |
| Salaries | 8% of sales |
| Travelling expenses | 2% of sales |
| Sales Office | 1% of sales |
| General Expenses | 1% of sales |
| **Distribution Costs:** | |
| Wages | 15,000 |
| Rent | 1% of sales |
| Other expense | 4% of sales |

Prepare a Flexible Budget Operating at 80%, 90% and 100%.

b) Evaluate 'maximization of profit' and 'maximization of shar4eholders wealth' as the objective of financial management.

**(12+6)**

**5.** Presented below is the comparative balance sheet for Jyoti Ltd. At 31st March:

| | 2015 Rs. | 2014 Rs. |
|---|---|---|
| Cash | 40,000 | 57,000 |
| Accounts Receivable | 77,000 | 64,000 |
| Inventory | 1,32,000 | 1,40,000 |
| Prepaid expenses | 12,140 | 16,540 |
| Land | 1,25,000 | 1,50,000 |
| Equipment | 2,00,000 | 1,75,000 |
| Accumulated Depreciation –Equipment | (60,000) | (42,000) |
| Building | 2,50,000 | 2,50,000 |
| Accumulated Depreciation – Building | (75,000) | (50,000) |
| | 7,01,140 | 7,60,540 |
| Account Payable | 33,000 | 45,000 |
| Bonds Payable | 2,35,000 | 2,65,000 |
| Equity Share Capital (Rs. 10 Share) | 2,80,000 | 2,50,000 |
| Retained Earnings | 1,53,140 | 2,00,540 |
| | 7,01,140 | 7,60,540 |

Additional Information:

i) Operating expenses include, depreciation expense of Rs. 70,000 and amortization of prepaid expenses of Rs. 4,400/-.

ii) Land was sold for cash at book value.

iii) Cash dividends of Rs. 74,290/- were paid.

iv) Net income for 2015 was Rs. 26,890/-.

v) Equipment was purchased for Rs. 65,000 cash. In addition equipment costing Rs. 40,000 with a book value of Rs. 13,000 was sold for 15,000 cash.

vi) Bonds were redeemed at face value by issuing 3,000 equity shares of Rs. 10 at par. Prepare a cash flow statement.

**(18)**

**6.**

a) Smart Exports Ltd. Is producing and selling 20,000 units of its product in the home market at a price of Rs. 60 per unit. The per unit cost is as follows:

| | |
|---|---|
| Direct materials | Rs. 10 per unit |
| Direct Labour | Rs . 7 per unit |
| Factory expenses: | |
| Fixed | Rs. 12 per unit |
| Variable | Rs. 4 per unit |
| Office and selling expenses: | |
| Fixed | Rs. 6 per unit |
| Variable | Rs. 3 per unit |

An importer from Australia placed an order for 6,000 units at a price of Rs. 30 per unit. Execution of Australian order will result in an additional total cost of Rs. 10,000 over and above the variable cost.

Should the Australian order be accepted? Show complete working.

b) A firm is projecting sales of 50,000 units next year. Sale price will be Rs. 20 per unit. Raw Material cost, Labour cost and Overhead cost are estimated to be 25%, 20% and 30% respectively. Raw material remains in stock on an average for 2 weeks, Work-in-progress for 1 week and Finished goods for 3 weeks. Debtors are allowed 1 month credit while Suppliers give 6 weeks credit. 25% of sales are on cash basis. 10% margin is kept for contingencies. Calculate Working Capital requirement for the year. (1 year = 50 weeks)

**(12+6)**

**7.**

a) Write short notes (on any four):

i) Zero base budgeting
ii) Time value of money
iii) Stable Dividend Policy
iv) Deferred Revenue Expenditure
v) Realization Concept
vi) Fixed and Variable costs

b) In a manufacturing company, a material is used as follows:

| | | |
|---|---|---|
| Re-order quantity | = | 3,600 units |
| Maximum consumption | = | 900 units per week |
| Minimum consumption | = | 300 units per week |
| Normal consumption | = | 600 units per week |
| Re-order period | = | 3 to 5 weeks |

Calculate: (a) Re-order level ; (b) Minimum stock level; (c) Maximum stock level.

**([4x3]+6)**