

- N.B. (1) Question No. 1 is **compulsory** and carries 20 marks.
 (2) Attempt any **four** from the remaining.
 (3) Working to form **part** of the **answers** and make and state clearly assumptions where **necessary**.

1. The following are the summarised Balance Sheets of H Ltd. as on 31 st March, 2004 and 31st March, 2005 :—

Particulars	31-03-2004 Rs.	31-03-2005 Rs.
Liabilities		
Equity Share Capital	3,00,000	4,00,00
Security Premium Account	—	10,000
Profit and Loss Account	1,00,000	3,00,000
6% Debentures	1,50,000	1,00,000
Profit on Redemption of Debentures	—	2,000
Creditors	1,40,000	1,10,000
Provision for Taxation	50,000	1,00,000
Proposed Dividend	15,000	20,000
Depreciation Provision	1,40,000	1,50,000
Total	8,95,000	11,92,000
Assets		
Plant and Machinery	4,00,000	4,50,000
Shares in Subsidiary Company	20,000	20,000
Property	2,00,000	2,50,000
Loans to Subsidiary Company	—	15,000
Stock	1,40,000	1,50,000
Debtors	1,00,000	1,50,000
Cash	20,000	15,000
Bank	10,000	1,40,000
Prepayments	5,000	2,000
Total	8,95,000	11,92,000

During the year :

- (i) Plant costing Rs. 50,000 (accumulated depreciation thereon being Rs. 30,000 was sold for Rs 10,000. The Loss on Sale has been charged to Profit and Loss a/c.
 (ii) Tax paid for the previous year amounted to Rs. 60,000.

Prepare H Ltd.'s Funds Flow statement for the year ended 31-3-2005.

2. You are given the following figures :—

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	Rs. 3,00,000
Stock Turnover Ratio	6
Ratio of Gross Profit and Sales	20%
Turnover Ratio to Fixed Assets (net)	2
Average debt collection period	2 months
Fixed Assets to Net Worth	0.80
Reserves and Surplus to Capital	0.5

Draw up the Balance Sheet of the concern to which the figures relate.

3. KK Ltd. produces product 'A' by using 2 raw materials 'X' and 'Y' and has its unit cost as follows :—

	Rs.
Raw material X	30
Raw material Y	50
Direct wages	30
Overheads	10

Other Infⁿ :-

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2

- (i) The goods are sold at a Profit of 20% on Sales.
- (ii) The Raw Material X is purchased from one supplier at a credit of 2 Months.
- (iii) 20% of requirement of Raw Material of Y is purchased on Cash basis and balance on a Credit of 3 Months.
- (iv) It is a practice of the company to keep both the types of Raw Materials in store for 1/2 Month in advance before putting to production.
- (v) Company also keeps Finished Goods for one Month in store before the delivery to customers.
- (vi) Expenses are paid in arrears of 1/2 Month.
- (vii) Projected Sales of Product "A" for the year 2006-07 is as under :—
 Rs. 30,00,000 on Cash Basis at the factory Show Room
 Rs. 12,00,000 on advance payment of 1/2 Month to New Customers
 Rs. 60,00,000 to associates of which 20% will be on Cash basis and Balance 80% on credit for 3 Months.
 Rs. 48,00,000 to old customers of which 30% will be on cash basis and Balance 70 % on credit of 2 Months.

Calculate the Working Capital Requirement of KK Ltd. for the year 2006-2007 assuming that there will be contingency cash balance to cover 10% of the Gross Working Capital excluding Cash.

4. A firm is considering investment in two projects, the amount involved being Rs. 1,39,000 and Rs. 1,75,000. One project will give a profit before depreciation of Rs. 45,000 for six years subject to a tax of Rs. 15,000. The other project will yield a profit of Rs. 40,000 (before depreciation) subject to a tax of Rs. 15,000 for 10 years. With the help of the table given below, calculate the internal rate of return in the two cases. Present Value of Re. 1 receivable at the end of each of 10 years.

Year	@ 7%	@ 7.5%	@ 8%
1	0.93458	0.93023	0.92593
2	0.87344	0.86533	0.85734
3	0.81630	0.80496	0.79383
4	0.76230	0.74880	0.73503
5	0.71230	0.69656	0.68058
6	0.66634	0.64796	0.63017
7	0.62275	0.60275	0.58349
8	0.58201	0.56070	0.54027
9	0.54393	0.52158	0.56025
10	0.50836	0.48519	0.46339

5. Write short notes (any four) :—

- (a) Time value based and other methods of Capital Budgeting
- (b) Desirability factor
- (c) Gearing of Capital
- (d) Average Rate of Return
- (e) Capital Employed.

6. Compare and contrast (any two) :—

- (a) 'Capital Reserve' and 'Reserve Capital'
- (b) 'Own Capital' and 'Loan Capital'
- (c) 'Profitability' and 'Profitability Index'.

7. Explain the different ways in which ratios can be classified and which basis of classification you find superior and why ?

"Short term funds should not be used for long term investment in Assets." — Explain with reference to the ratio which is an indicator thereof.