

Xeroxed - 120

SVKM's NMIMS University
School of Distance Learning

Accounting & Finance for Managers

Date: 21.12.2007
Time: 11.00 to 2.00

Marks: 100

SECTION - A

Answer any three questions from the following six. Each question carries 20 marks.

Question 1:

STAR LTD. Profit & Loss A/c. for the year ending 31.03.2007

Income	Rs.
Net Sales	4,500
Other Income	134
Expenditure	4,634
Cost of Good's sold	3,500
Selling Expenses	340
Administrative and General Expenses	270
Interest	154
Depreciation	100
Total Expenses	4,364
Profit Before Tax	270
Taxes	80
Profit After Tax	190
Dividends	55
Retained Profits	135

Balance Sheet as at 31.03.2007

LIABILITIES-SOURCES OF FUNDS	
Share Capital	550
Reserves & Surplus	1250
Long Term Debt	1500
TOTAL	3300
Fixed Assets	2160
Less: Depreciation	360
Total (A)	1800
CURRENT ASSETS LOANS & ADVANCES	
Inventory	000
Sundry Debtors	750
Cash & Bank	90
Loans and Advances	60
Total of Current Assets	1800

Less: Current Liabilities	300
Net Current Assets (B)	1500
Total (A+B)	3300

You are required to calculate following ratios from the above information:

- Current Ratio
- Quick Ratio
- Debt Equity Ratio
- Return on total Assets
- Return on Net worth

Question 2:

Twinkle Ltd. has given following data.

Balance Sheet as at 31.03.2007

LIABILITIES (Sources Of Funds)

	<u>31.03.2007</u>	<u>31.03.2006</u>
Share Capital	505	455
Reserves & Surplus	380	350
Loan Funds	230	260
Current Liabilities	<u>165</u>	<u>145</u>
Total :	<u>1,280</u>	<u>1,210</u>

ASSETS (APPLICATION OF FUNDS)

	<u>31.03.2007</u>	<u>31.03.2006</u>
Fixed Assets- Net	550	495
Investments	20	25
Inventories	260	240
Debtors	180	215
Short term Advances	170	130
Cash & Bank Balances	<u>100</u>	<u>105</u>
Total :	<u>1,280</u>	<u>1,210</u>

Additional Information.

- Profit Before Tax 2006-07 – Rs. 30/-
 - Depreciation provided during the year 2006-07 - Rs. 50/-
 - Addition to Fixed Assets 2006-07 - Rs.105/-
- Required – Prepare Cash Flow Statement (Under Indirect Method)

Question 3:

The earnings per share of a company are Rs 10. It has an internal rate of return of 15 per cent and the capitalization rate of its risk class is 12.5 per cent. If Walter's model is used: (i) what should be the optimum payout ratio of the firm? (ii) What would be the price of the share at this payout? (iii) How shall the price of the share be affected if a different payout were employed?

Question 4:

Two firms A and B have the following information:

	Sales (Rs in lakh)	Variable Cost (Rs in lakh)	Fixed Cost (Rs in lakh)
Firm A	1,800	450	900
Firm B	1,500	750	375

You are required to calculate the degree of operating leverage for both firms. Comment on the positions of the firms. ~~If sales increase~~

Question 5:

Mary Frost, a new entrepreneur, is considering selling Do-All Software, a home-office software package, at a computer convention in Chicago. Mary can purchase this software from a computer software wholesaler at \$120 per package, with the privilege of returning all unsold packages and receiving a full \$120 refund per package. The packages would be sold for \$200 each. She would pay \$2,000 to Computer Conventions, Inc., for the booth-rental for the convention. Assume there are no other costs.

1. Mary wants to know **Breakeven Point**.
2. How many units must Do-All Software sell to earn an **operating income (Target)** of \$1,200?
3. How many units must Do-All Software sell to earn a **net income (target)** of \$960.

Question 6:

Watson Limited is preparing its budgets for the next quarter. The following information has been drawn from the budgets prepared in the planning exercise so far:

Sales value	June	Rs.12,500
	July	Rs.13,600
	August	Rs.17,000
	September	Rs.16,000
Direct wages	Rs.1,300 per month	
Direct material purchases	June	Rs.3,450
	July	Rs.3,780
	August	Rs.2,890
	September	Rs.3,150

Other information:

1. Watson sells 10 per cent of its goods for cash. The remainders of customers receive one month's credit.
2. Payments to creditors are made in the month following purchase.

3. Wages are paid as they are incurred.
 4. Watson takes one month's credit on all overheads.
 5. Production overheads are Rs.3,200 per month.
 6. Selling, distribution and administration overheads amount to Rs.1,890 per month.
 7. Included in the amounts for overhead given above are depreciation charges of Rs.300 and Rs.190 respectively.
 8. Watson expects to purchase a delivery vehicle in August for a cash payment of Rs.9,870.
 9. The cash balance at the end of June is forecast to be Rs.1,235.
- You are required to prepare a cash budget for each of the months July to September.

SECTION – B

Answer any two questions from the following four. Each question carries 20 marks.

- Q.7. Discuss the role of accountants in modern business organizations.
- Q.8. What groups of people would be interested in accounting reports and why?
- Q.9. What is a Balance Sheet and what information it conveys to an outsider?
- Q.10. Explain the determinants of dividend decision.

----- Wish you all the Best -----