F.M. Test Paper 1

Time: 40 Min **Total marks: 20**

Chapter → Vertical Statement (F.M.)

Instructions: All Questions are compulsory.

(Q.1) Concept Testing. **(2 concepts of 5 marks each = 10 marks)**
(a) What is working Capital?
(b) Advantage of Vertical Balance Sheet.

Q.2) **Mahavir Ltd.**

Balance Sheet as on 31.03.09

Liabilities	Rs.	Assets	Rs.
Equity share capital	6,00,000	Fixed Assets	9,00,000
Reserves	2,00,000	Stock	3,00,000
6% debentures	5,00,000	Marketable investments	1,00,000
Current liabilities	2,00,000	Debtors	1,50,000
Bank overdraft	50,000	Cash & Bank balances	1,00,000
Fixed deposit repayable within one year	50,000	Preliminary expenses	50,000
	16,00,000		16,00,000

Prepare Vertical Balance Sheet. **(10 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 2

Time: 30 Min **Total marks: 15**

Chapter → Vertical Statement (F.M.)

Instructions: All Questions are compulsory.

(Q.1) Concept Testing. **(1 concepts of 5 marks)**
(a) Debt vs Equity
Q.2) The following is the balance sheet of X Ltd.

	As at 31.3.2009 (Rs.)
Liabilities	
Share Capital	12,00,000
Profit & loss account	3,20,000
Secured loans	50,000
Unclaimed dividend	10,000
Bank overdraft	7,00,000
Sundry creditors	4,00,000
Provision for taxes	2,00,000
Proposed dividend	1,20,000
	30,00,000
Assets	
Fixed Assets	18,60,000
Less: Provision for depreciation	7,00,000
	11,60,000
Investment in L&T Ltd.	50,000
Stock	6,00,000
Sundry debtors	8,60,000
Prepaid expenses	30,000
Cash & Bank balance	3,00,000
	30,00,000

Prepare Vertical Balance Sheet & comment on financial position.
(10 Marks)

F.M. Test Paper 3

Time: 60 Min. Total marks: 30

Instructions: All Questions are compulsory.

(Q.1) Concept Testing. **(1 concepts of 5 marks)**
(a) Window dressing of financial statement.

(Q.2) From the following trail Balance of Jyoti Ltd. As on 31st March, 2004, prepare Vertical Revenue statement for the year ended 31st March, 2004 and vertical Balance Sheet as on that date after making the necessary adjustments:
(10 marks)

Particulars	Debit Rs.	Credit Rs.
(1) Equity Share Capital		11,00,000
(2) Plant and Machinery	12,00,000	
(3) Sales		37,00,000
(4) Purchases	17,00,000	
(5) Sundry Debtors	9,00,000	
(6) Sundry Creditors		8,50,000
(7) Wages	3,50,000	20,000
(8) Opening Stock	1,20,000	30,00,000
(9) Salaries	1,80,000	
(10) Advertisement	75,000	
(11) Telephone Charges	35,000	
(12) Furniture	2,00,000	
(13) Investment (Long Term)	5,00,000	
(14) Interest Received		40,000
(15) Loss on Sale of Furniture	20,000	
(16) Commission	60,000	
(17) Profit and Loss A/c		1,20,000
(18) Interim dividend	50,000	
(19) General Reserve		1,00,000
(20) Cash at Bank	3,20,000	
(21) Bill Receivable	2,00,000	
TOTAL	**59,10,000**	**59,10,000**

Adjustment :
i) Stock on 31st March, 2004 was valued at Rs. 3,00,000.
ii) Make provision of Rs. 3,00,000 for Income Tax.
iii) Depreciate plant and machinery @ 20% and furniture @ 10%.

(Q.3) Operating Leverage Vs Financial Leverages. **(5 Marks)**

(Q.4) Sales Rs.20,000, Variable cost 50% fixed cost Rs.2,000 & 10% term loan of Rs. 10,000. Calculate Leverage Ratios. **(10 Marks)**

F.M. Test Paper 4

Time: 20 Min. **Total marks: 10**

Instructions: All Questions are compulsory.

(Q.1) You are given the following Information of MR Ltd. Prepare Vertical Statement.

Trail Balance As on 31-12-07

(10 marks)

Particulars	Debit Rs.	Credit Rs.
(1) Land & Building	25,50,000	
(2) Machinery	8,00,000	
(3) Furniture	3,00,000	
(4) Debtor	5,00,000	
(5) Cash and Bank Balance	1,00,000	
(6) Creditor		3,00,000
(7) Outstanding Expenses		20,000
(8) Sales		30,00,000
(9) Purchases	15,00,000	
(10) Opening Stock	3,00,000	
(11) Administrative Expenses	3,70,000	
(12) General Reserve		7,44,000
(13) Selling Expenses	1,10,000	
(14) Share Capital		20,00,000
(15) Unsecured Loan		4,66,000
TOTAL	**65,30,000**	**65,30,000**

Additional Information :
Closing Stock as on 31-12-2007 was Rs. 4,00,000.

Genius is the ability to reduce complicated to simple… A. Einstein

F.M. Test Paper 5

Time: 20 Min. **Total marks: 10**

Instructions: All Questions are compulsory.

(Q.1) Why are common size Statements, so called ? (5 Marks)

(Q.2) Prepare a common size Balance Sheet of M/s. Ram Ltd. in vertical form from following information.

Balance As at 31-03-2003 (10 marks)

	Rs.
Land & Building	6,00,000
Plant & Machinery	5,00,000
Equity Capital	5,00,000
Preference Capital	2,00,000
Stock	2,40,000
Debtors	2,00,000
Cash & Bank	55,000
Miscellaneous Current Assets	5,000
Profit & Loss A/C (Cr. Bal.)	2,00,000
General Reserve	1,00,000
Sundry Creditors	80,000
Bills Payable	60,000
Miscellaneous Current Liabilities	60,000
Debentures	4,00,000

F.M. Test Paper 6

Time: 30 Min. **Total marks: 15**

Instructions: All Questions are compulsory.

(Q.1) Advantages of Common size Statements **(5 Marks)**

(Q.2) From the following Profit and Loss Account information for year ending 2008 and 2009, prepare Common Size Statement. Arrange information in Vertical Form suitable for analysis:

(10 marks)

Particulars	2008 Rs.	2009 Rs.
Sales	10,00,000	15,00,000
Closing Stock	2,50,000	3,00,000
Opening Stock	1,50,000	2,50,000
Purchases	3,00,000	4,50,000
Wages	2,00,000	3,00,000
Manufacturing Expenses	1,00,000	1,50,000
Administrative Expenses	50,000	50,000
Selling & Distribution Expenses	50,000	75,000
Loss on Sale of Furniture	25,000	-
Interest on Debentures	10,000	10,000
Profit on Sale of Shares	50,000	-

F.M. Test Paper 7

Time: 30 Min. Total marks: 15

Instructions: All Questions are compulsory.

(Q.1) Common Size V/S Comparative Statements ? (5 Marks)

(Q.2) Complete the following Comparative of DT Ltd. by ascertaining the missing balances and comment. **(10 Marks)**

Particulars	2008 Rs.	2009 Rs.	Absolute Increase or Decrease	% Increase or Decrease
(A) Sales	?	?	(+) 4,00,000	+ 25.00%
Cost of Goods Sold				
Opening Stock	80,000	1,20,000	?	?
Purchases	?	?	(+) 2,00,000	+ 20.00%
Wages	2,40,000	4,40,000	?	?
Less: Closing Stock	?	1,60,000	?	?
(B) Cost of Goods Sold	?	?	?	?
(C) Gross Profit (A-B)	?	?	?	?
Less : Operating expenses				
(a) Administrator	?	?	(+) 20,000	+ 20.00%
(b) Selling	50,000	60,000	?	?
(c) Finance	?	?	(+) 4,500	+ 22.50%
(D) Total Operating Expenses	?	?	?	?
Net Operating Profit (C-D)	?	?	?	?
Add: Non-Operating Income	20,000	1,00,000	?	?
Net Profit Before Tax	?	?	?	?
Less: Provision Tax	?	?	?	?
Net Profit After Tax	2,10,000	2,35,500	?	?

F.M. Test Paper 8

Time: 30 Min. **Total marks: 15**

Instructions: All Questions are compulsory.

(Q.1) What are Comparative, Common size and Trend Analysis Statements**?**

(5 Marks)

(Q.3) Calculate Trend Percentage from the following information extracted from the financial Statements of a limited Company. Give your appropriate comments:

(10 marks)

Particulars	2009 Rs.	2008 Rs.	2007 Rs.	2006 Rs.
Sales	16,401	13,645	9,884	9,112
Cost of Sales	14,978	12,491	8,813	7,432
Expenses	89	134	58	45
Interest	503	379	206	101
Profit before tax	831	641	807	1,534
Tax	394	198	455	820
Profit after tax	437	443	352	714
Fixed Assets (Net)	5,489	5,111	4,777	4,486
Working Capital	5,085	4,887	3,298	2,773
Loans	?	?	?	?
Net Worth	6,691	6,017	5,857	5,954

F.M. Test Paper 9

Time: 30 Min. **Total marks: 15**

Instructions: All Questions are compulsory.

(Q.1) Liquidity Ratios **(5 Marks)**

(Q.2) X Ltd. and Y Ltd. are in the same line of business. Following are their Balance Sheets as on 31st December, 2003:

Balance Sheets as on 31st December, 2003 **(10 marks)**

Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Equity Share Capital	7,00,000	2,00,000	Land	1,00,000	80,000
Reserve & Surplus	1,00,000	1,00,000	Building	2,50,000	2,00,000
12% Debentures	2,00,000	5,00,000	Plant & Machinery	5,00,000	3,00,000
Creditors	1,20,000	70,000	Debtors	2,10,000	1,10,000
Bills Payable	40,000	20,000	Stock	1,00,00	2,00,000
Proposed Dividend	20,000	20,000	Cash and Bank	55,000	40,000
Provision for Tax	35,000	20,000			
	2,15,000	**9,30,000**		**12,15,000**	**9,30,000**

You are required to rearrange the Balance Sheets (in Vertical form) and calculate the following ratios for both the companies and comment thereon (any **three**)

(a) Proprietory ratio,
(b) Capital-Gearing ratio,
(c) Current ratio,
(d) Stock Working Capital ratio

(April. 03)

F.M. Test Paper 10

Time: 30 Min. **Total marks: 15**

Instructions: All Questions are compulsory.

(Q.1) Short term financial management ratios. **(5 Marks)**

(Q.2) Following financial statements are of XYZ Ltd. for 2004.

Trading and Profit and Loss A/c for the year ended 31st March, 2004. (10 marks)

Particulars	Rs.	Particulars	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	2,50,000		
	18,20,000		18,20,000
To Depreciation	36,000	By Gross Profit	2,50,000
To Other Expenses	74,000	By Commission	10,000
To Tax Provision	40,000		
To Proposed Dividend	16,000		
To Net Profit	94,000		
	2,60,000		**2,60,000**

Balance Sheets as on 31st December, 2004

Particulars	Rs.	Particulars	Rs.
Share Capital	3,00,000	Cash	48,000
Bank Overdraft	38,000	Stock	1,60,000
Creditors	34,000	Debtors	1,38,400
Provision of Depreciation	54,000	Land and building	92,000
Provision of Tax	40,000	Machinery	1,28,600
Proposed Dividend	16,000	Goodwill	20,000
Profit & Loss A/c	1,80,000	Loan and Advance	60,000
		Preliminary Expenses	15,000
	6,62,000		**6,62,000**

Re-arrange the above in a vertical form and also calculate:
(a) Stock turnover ratio.
(b) Debtors turnover ratio.
(c) Creditors turnover ratio. **(Oct. 04)**

F.M. Test Paper 11

Time: 30 Min. Total marks: 15

Instructions: All Questions are compulsory.

(Q.1) '**Ratio Analysis is only tool of Analysis and not final decision**' Elucidate the statement . **(5 Marks)**

(Q.2) Complete the following Balance Sheet from the information given below.

Balance Sheets as on 31st December, 2004 **(10 marks)**

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	?	Fixed Assets	?
(of Rs.100 each)		**Current Assets**	
Reserve and Surplus	?	Stock	?
10% Debentures	4,00,000	Debtors	?
Current Liabilities		Other Current Assets	?
Sundry Creditors	?		
Other Current Liabilities	2,00,000		
	?		**?**

Following information is available:

1) Sales for the year Rs. 48 lakhs.
2) Gross Profit Ratio 25%
3) Net Profit after tax Rs. 2,00,000.
4) Purchases and sales on credit basis.
5) Debtors Turnover Ratio 12 times (Sales / Debtors)
6) Creditors Turnover Ratio 12 times (Cost of Sales / Creditors).
7) E.P.S. Rs. 20 per share.
8) Stock Turnover Ratio 10 times.
9) Debt Equity Ratio 0.25: 1.
10) Current Ratio 1.6: 1. **(Apr. 04)**

F.M. Test Paper 12

Time: 30 Min. Total marks: 15

Chapter: Fund Flow Statement.

Instructions: All Questions are compulsory.

(Q.1) Process of determination of flow of funds. **(5 Marks)**

(Q.2) The following are the balance sheets of M/s, X Ltd. As on 31st March 2008 and 2009:

	2008 Rs.	2009 Rs.
Liabilities:		
Share Capital	4,00,000	5,20,000
Reserves	1,00,000	1,00,000
Profit & Loss Account	79,380	82,440
Bank Overdraft	1,19,020	
Sundry Creditors	79,000	82,270
Bill Payables	67,560	33,050
Provision for Taxation	80,000	1,00,000
Total	9,24,960	9,17,760
Assets:		
Buildings	2,97,000	2,88,500
Machinery	2,25,900	2,32,400
Stock	2,22,080	1,94,740
Sundry Debtors	1,74,980	1,46,720
Cash	5,000	5,400
Goodwill		50,000
Total	9,24,960	9,17,760

The following additional information is given:

- **a.** During 2009 an interim dividend of Rs.82,000 was paid.
- **b.** Assets of another company were purchased for a consideration of Rs.1,30,000 payable in fully paid shares of X Ltd. The following assets were purchased: Stock Rs.44,000; Machinery Rs.36,000.
- **c.** Machinery was further purchased for Rs.11,200
- **d.** Income tax paid during the year amounted to Rs.60,000
- **e.** The net profit for the year before tax was Rs.2,25,060.

Prepare a Statement of Sources and Application of Funds for the year 2009 and a Schedule setting out the changes in working capital. **(10 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 13

Time: 30 Min. **Total marks: 15**

Chapter: Cash Flow Statement.

Instructions: All Questions are compulsory.

(Q.1) Distinguish Fund Flow Statement & Cash Flow Statement. **(5 Marks)**

(Q.2) The following are summarized balance sheets of Kevin India Ltd. As on 31 March, 2008 and 2009.

Particulars	2008	2009
Liabilities	**(in Rs.)**	**(in Rs.)**
Share Capital	2,00,000	2,50,000
General reserve	50,000	60,000
Profit and loss	30,500	30,600
Bank loan (Long term)	70,000	-
Sundry creditors	1,50,000	1,35,200
Provision for taxation	30,000	35,000
	5,30,500	**5,10,800**
Assets	**2008**	**2009**
Land and buildings	2,00,000	1,90,000
Machinery	1,50,000	1,69,000
Stock	1,00,000	74,000
Sundry debtors	80,000	64,200
Cash	500	800
Bank	-	7,800
Goodwill	-	5,000
	5,30,500	**5,10,800**

Additional Information:
During the year ended 31st March, 2009.

i) Dividend of Rs.33,000 was paid.
ii) Assets of another company were purchased for a consideration of Rs.50,000 payable in shares. The following assets were purchased: Stock – Rs.20,000 and Machinery – Rs.25,000.
iii) Machinery was further purchased for Rs.8,000.
iv) Depreciation written off on machinery Rs.12,000
v) Income-tax provided during the year was Rs.38,000.
vi) Loss on sale of machinery Rs.200 was written off to general reserve.

You are required to prepare a Cash Statement. **(10 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 14

Time: 30 Min. **Total marks: 15**

Chapter: Estimated of Working Capital.

Instructions: All Questions are compulsory.

(Q.1) Operating Cycle. **(5 Marks)**

(Q.2) Tasty Ltd. is presently operating at 50% level producing 30,000 packets of snacks foods and proposes to increase capacity utilization in the coming year to 75% level.

The following data has been supplied:

i. Unit cost structure of the product at current level:

		Rs.
Raw Material		5
Wages (Variable)		2
Overheads (Variable)	2	
Fixed Overhead		1
Profit		3
Selling Price		13

ii. Raw materials will remain in stores for 1 month before being issued for production. Material will remain in process for further 1 month. Suppliers grant 3 months credit to the company.
iii. Finished goods remain in godown for 2 month.
iv. Debtors are allowed credit for 3 months.
v. Lag in wages and overhead payments is 1 month and these expenses accrue evenly throughout the production cycle.
vi. No increase either in cost of inputs or selling price is envisaged.

Prepare an estimate of working capital requirement at the new level, assuming that a minimum cash balance of Rs.80,000 has to be maintained.

(10 Marks)

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 15

Time: 30 Min. **Total marks: 15**

Chapter: Capital Structure

Instructions: All Questions are compulsory.

(Q.1) Optimum Capital Structure. **(5 Marks)**

(Q.2) In considering the most desirable capital structure for a company, the following estimates of the cost of debt and equity capital (both after tax) have been made at various levels of financial leverage:

Debt as a percentage of total capital employed	Cost of Debt	Cost of equity
0	5%	12%
10	5%	12%
20	5%	12.50%
30	5.5%	13%
40	6%	14%
50	6.5%	16%
60	7%	20%

Advise the company of the optimal Debt Equity Mix on the basis of the Composite cost of capital. **(5 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

F.M. Test Paper 16

Time: 30 Min. **Total marks: 15**

Chapter: Cash Budget.

Instructions: All Questions are compulsory.

(Q.1) Motives for Holding Cash. **(5 Marks)**

(Q.2) Prepare monthly forecast of cash for Raja Ltd. for the quarter ended 31st December 2007 from the following information.

1. Opening balance as on 1st October 2008 Rs.52,000.
2. The Budgeted and actual sales were Rs.1,00,000 each for August & September, October Rs.1,20,000, November Rs.1,35,000 and December, Rs.1,40,000, 30% sales were for cash and out of the balance, 50% in subsequent month of sale and 50% in the second subsequent to the month of the sale.
3. Dividend on investments is being declared on 20th December 2007 amounting to Rs.800
4. Machinery sale in month of December 2007 Rs.25,000
5. Materials worth Rs.40,000 each is being purchased in August and September, 50% of which is payable on 1st October 2008 and proposed purchases for Quarter October to December evenly spread-out is Rs.1,50,000. Vendors offer 5% discount for cash payments. It is decided to maintain cash balance at Rs.10,000 each month and the balance to be utilized for payment to vendors.
6. Wages are expected to be Rs.11,000 per month payable a month in arrear.
7. Manufacturing expenses payable in the month incurred Rs.9,000 per month.
8. General Selling expenses are expected to be Rs.5,000 per month.
9. Machine costing Rs.40,000 is proposed to be purchased for cash in December.

(10 Marks)

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 17

Time: 30 Min. **Total marks: 15**

Chapter: Receivable Management.

Instructions: All Questions are compulsory.

(Q.1) 5 C's in Credit Analysis. **(5 Marks)**

(Q.2) M / s. Bharat Industries Ltd. has annual credit sales of Rs. 24 lacs. Mr. Patil, the newly appointed Sales Manager has ambitious plans to increase the Sales and also the profitability of the Company.
At present the sales price per unit is Rs. 30 and present age of accounts receivable is one month and variable cost is @50% and net profit is @20%.
Mr. Patil has put forward the following two proposals before the management.
Proposal I: Increase the credit period to debtors from one month to 3 months. The expected Sales would be Rs. 30 lacs. Chances of bad debt @ 2% of Credit sale.
Proposal II: Reduce the Selling Price by 5% per unit. Expected Sales would be Rs.28.50 lacs. All cash sales no credit sale.
Assuming that the cost of funds is 15% p.a., and other condition remaining same, which would you recommend? **(10 Marks)**

S'COrE Education

Genius is the ability to reduce complicated to simple… A. Einstein

F.M. Test Paper 18

Time: 30 Min. **Total marks: 15**

Chapter: Leverage.

Instructions: All Questions are compulsory.

(Q.1) Concept Testing. **(2 concepts of 3 mark each)**.

a) Operating Leverage.
b) Business Risk.

(Q.2) Mr. SRK has business opportunity to invest upto Rs.10 Lakhs, probable return is 30% on investment. If he borrows, he can invest Rs. 10 Lakhs but if he has to invest only his own money, he can invest Rs. 4 Lakhs only. Explain him the risk return mechanism in his options, based on Leverages.

[Case Study → 7 Marks]

(Q.3) Annual Production 5000 Units.
Selling Price Rs 20 per Unit
Variable cost Rs 10 per Unit

	Situation A	Situation B
Fixed Cost	Rs. 15,000	Rs.20,000

Capital Structure will have two Options

	Option I	Option II
Equity	Rs. 2,00,000	Rs.1,50,000
10% Debt	Rs. 1,00,000	Rs.1,50,000

Calculate DOL, DFL & DCL for:

(i) Situation A – Option I
(ii) Situation A – Option II
(iii) Situation B – Option I **(7 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

F.M. Test Paper 19

Time: 30 Min. **Total marks: 15**

Chapter: Leverage.

Instructions: All Questions are compulsory.

(Q.1) Types of Working Capital **(5 Marks)**.

(Q.2) A Factory produces 96,000 units during the year and sells them for Rs. 50 per unit. Cost structure of a product is as follows:

Raw materials	60%	
Labour	15%	
Overheads		<u>10%</u>
		85%
Profit		15%
Selling Price		100%

The following additional information is available.

1. The activities of purchasing, producing and selling occur evenly throughout the year.
2. Raw materials equivalent to 1 month's supply is stored in godown.
3. The producing process takes 1 month.
4. Finished goods equal to three month production are carried in stock.
5. Debtors get 2 month's credit.
6. Creditors allow 1½ months credit.
7. Time lag in payment of wages and overheads in ½ month.
8. Cash and Bank Balance is to be maintained at 10% of the working capital.
9. 10% of the sales are made at 10% above the normal selling price.

Draw a forecast of working capital requirements of the factory.

(10 Marks)

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 20

Time: 30 Min. Total marks: 15

Chapter: Cash Flow Statement.

Instructions: All Questions are compulsory.

(Q.1) "Cash flow help to study liquidity / Cash management of Company" Comment. **(5 Marks)**

(Q.2) Following are the Balance Sheets of Young India Ltd.:

Liabilities	2002Rs.	2001Rs.	Assets	2002Rs.	2001Rs.
Share Capital	7,00,000	6,00,000	Fixed Assets	6,50,000	4,00,000
General Reserve	2,00,000	1,50,000	Debtors	3,50,000	2,00,000
Profit & Loss A/c	2,00,000	1,00,000	Stock	2,50,000	1,50,000
14% Debentures issued for purchase of fixed Assets	2,00,000	NIL	Cash	1,30,000	1,00,000
			Underwriting Commission	NIL	70,000
Proposed Dividend	80,000	70,000			
	13,80,000	9,20,000		13,80,000	9,20,000

Assuming the depreciation for the year to be Rs.50,000 and interim dividend paid during the year to be 20,000. Prepare Cash Flow Statement. **(10 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

F.M. Test Paper 21

Time: 30 Min. **Total marks: 15**

Chapter: Cash Flow Statement.

Instructions: All Questions are compulsory.

(Q.1) "Comparative Statement are more useful than commonsize statement" Comment. **(5 Marks)**

(Q.2) Complete the following trend statement. **(10 Marks)**

M/s. Tail Ltd.

Profit & Loss Accounts For the Year Ended 31st March.

No	Particulars	Years						Base Year 2000	
		2003		2002		2001			
		Rs.(000)	%	Rs.(000)	%	Rs.(000)	%	Rs.(000)	%
1.	Sales.	2,000	100	?	80	?	120	?	?
2.	Cost of Goods Sold	1,500	?	1.280	100	?	110	?	?
3.	Trading Profit.	?	?	?	?	?	?	?	?
4.	Non-operating Income.	?	50	135	90	?	60	?	?
5.	Non-operating Expenses.	16	?	8	?	?	40	10	?
6.	Profit Before Interest &Tax(PBIT)	?	?	?	?	?	?	?	?
7.	Interest	60	?	120	600	40	?	?	?
8.	Profit Before Tax (PBT)	?	?	?	?	?	?	?	?
9.	Tax at 50% of PBT	?	?	?	?	?	?	?	?
10.	Profit After Tax (PAT)	?	?	?	?	?	?	?	?
11.	Dividend	3	30	?	90	?	?	?	?
12.	Net Earning	?	?	?	?	410	?	?	?

Genius is the ability to reduce complicated to simple… A. Einstein

F.M. Test Paper 22

Time: 30 Min. **Total marks: 15**

Chapter: Ratio Analysis.

Instructions: All Questions are compulsory.

(Q.1) Important ratios from investors point of view. **(5 Marks)**

(Q.2) From the following information, you are required to prepare a Balance – Sheet in Horizontal form:

Current Ratio	1.75
Liquid Ratio	1.25
Stock Turnover Ratio	9times (Based on Closing Stock)
Gross Profit Ratio	25%
Debtor Collection Period	1.5 months
Reserves and surplus to share Capital	0.2
Cost of Goods Sold to Fixed Assets	1.2
Capital Gearing (Long term Loans to Share Capital)	0.6
Fixed Assets to Shareholders Funds	1.25
Sales for the year	Rs. 12,00,000
(All are on credit basis)	

Current Assets consisted of Cash, Stock & Debtors only. The company has not issued pref. Shares. There are no Bank overdraft and Fictitious Assets.

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 23

Time: 30 Min. **Total marks: 15**

Chapter: Working Capital.

Instructions: All Questions are compulsory.

(Q.1) Risk return trade off in working capital Management. **(5 Marks)**

(Q.2) Chinmag is carrying on trading business in India and gives the following information.

1. Estimated Sales in a year Rs. 12,00,000
2. His Administrative & Selling expenses are estimated as fixed expenses Rs.2,000 per month and variable expenses equal to 5% of his turnover.
3. He expects to fix sale price for each product which will be 25% in excess of his cost of purchase.
4. He expects to turnover his stock four times in the year.
5. The sales and purchases will be evenly spread throughout the year. 20% of sales will be on cash and balance on credit and allowed 2 months credit. He also expects one month credit from his suppliers.
6. Cash balance = Fixed and variable expenses for one month.

Calculate his average working capital and prepare his income statement for the year. **(10 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 24

Time: 30 Min. Total marks: 15

Chapter: Working Capital.

Instructions: All Questions are compulsory.

(Q.1) "During economics slowdown Solvency ratios are more important than profitability ratios." Discuss

(5 Marks)

(Q.2) From the following information of M/s. Deepak Co. Ltd. prepare Balance Sheet with as many details as possible:

1. Current Ratio 2.5 : 1
2. Liquid Ratio 1.5 : 1
3. Working capital Rs. 1,20,000/-
4. Bank overdraft Rs. 20,000/-
5. Reserve and surplus Rs. 80,000/-
6. Fixed Assets to proprietors fund 0.75 : 1
7. There is no long Term Loan and Investment and Fictitious Assets.
8. Current Assets include only Stock. Debtors and Cash Balance in the ratio of 11:5:4 respectively

(10 Marks)

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 25

Time: 30 Min. **Total marks: 20**

Chapter: Vertical Statement, Ratio Analysis, Working Capital.

Instructions: All Questions are compulsory.

(Q.1) (a) Classify the following accounts and state whether it is- **(8 Marks)**

i. Current Asset
ii. Fixed Asset
iii. Current Liability
iv. Long Term Liability
v. Shareholders Fund
vi. None of these

1. Delivery truck
2. Accounts payable
3. Bills payable (90 days)
4. Delivery expenses
5. Equity capital
6. Prepaid insurance
7. Trade mark
8. Short Term Investment
9. Income tax payable
10. Debenture redeemable after seven years.
11. Tsunami relief fund deducted from employees salary
12. Depreciation.

(b) Write short notes on: **(3 X 4 = 12 Marks)**

i. Limitations of Ratio Analysis
ii. Working Capital Cycle
iii. Trading on Equity
iv. Window dressing of financial Statements.

Genius is the ability to reduce complicated to simple... A. Einstein

---

F.M. Test Paper 26

Time: 30 Min. **Total marks: 15**

Chapter: Ratio Analysis.

Instructions: All Questions are compulsory.

(Q.1) Any three Activity ratios and its Significance **(5 Marks)**

(Q.2) M/s Rajesh & Co. gives you the following information. Prepare trading and Profit & loss account for the year ended 31st March,2004 and balance sheet as on that date in as much detail as possible.

Opening Stock	Rs.90,000
Stock Turnover Ratio	10 times
Net Profit Ratio on Turnover	15%
Gross Profit Ratio on Turnover	20%
Current Ratio	4 : 1
Long Term Loan	Rs. 2,00,000
Depreciation on Fixed Assets @ 10%	Rs. 20,000
Closing Stock	Rs. 1,02,000
Credit period allowed by suppliers	One month
Average Debt collection period	Two months

On 31st March,2004 Current Assets consisted of stock, debtors and cash only. There was no bank overdraft. All purchases were made on credit. Cash sales were 1/3rd of Credit sales.

(10 Marks)

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 27

Time: 40 Min. Total marks: 20

Chapter: Vertical Statement.

Instructions: All Questions are compulsory.

(Q.1) (a) Classify the following accounts and state whether it is- **(6 Marks)**

vii. Current Asset
viii. Fixed Asset
ix. Current Liability
x. Long Term Liability
xi. Shareholders Fund
xii. None of these

1. Delivery truck, **2.** Accounts payable
3. Bills payable (90 days), **4.** Delivery expenses
5. Equity capital, **6.** Prepaid insurance
7. Trade mark **8.** Short Term Investment
9. Income tax payable
10 Debenture redeemable after seven years.
11 Sunami relief fund deducted from employees salary
12 Depreciation.

(b) Write short notes on: **(4 Marks)**

1. Window dressing of financial Statements.

(Q.2) You are given the following information of 'Dipak Ltd'. Prepare Vertical Financial Statements. **Trial Balance as on 31/03/2008**

Sr. No	Account Head	Debit	Credit
		(Rs.)	(Rs.)
1)	Lands	1,20,000	
2)	Machinery	85,00,000	
3)	Salaries and Wages	16,00,000	
4)	Sundry Debtors	20,00,000	
5)	Building	15,00,000	
6)	Sundry Creditors		40,00,000
7)	Goodwill	50,000	
8)	Sales (Gross)		88,00,000
9)	Purchases (Gross)	13,00,000	
10)	Return Inwards	1,00,000	
11)	Return Outwards		2,00,000
12)	Opening Stock	5,70,000	
13)	Administrative Expenses	9,00,000	
14)	Reserves		21,00,000
15)	Equity Share Capital		10,00,000
16)	Bank Term Loan		5,00,000
17)	Cash and Bank balance	40,000	
18)	Prepaid expenses	10,000	
19)	Outstanding expenses		16,000
20)	Bank Overdraft		74,000
	Total	**1,66,90,000**	**1,66,90,000**

Additional Information:

1) Closing Stock on 31/03/2008 was Rs.6,00,000.
2) Depreciate Machinery by 10% **(10 Marks)**

Time: 60 Min	Total marks: 30

Chapter → FFS and Working Capital

Instructions: All Questions are compulsory.

Q.1 Concept Testing **(1 concepts of 5 marks)** **10 marks**

(a) Factors determining estimation of working capital

(b) Distinguish between FFS and Balance Sheet

Q.2 A Statement of retained earnings of X Co. Ltd. is given below: **10 marks**

	Rs.
Balance retained earning, 1st January, 2005	3,25,600
Add: Net profit after taxes	6,48,480
Tax Refund	25,470
	9,99,550
Less: Loss on sale of Plant and machinery	14,460
Goodwill written off	95,370
Dividends Paid	4,70,350
	5,80,810
Balance of retained earnings, 31st December, 2005	4,19,370

Additional Information:

(a) Plant and machinery having a written- down value of Rs.54,360 was sold in October, 2005.

(b) Depreciation of Rs.68,250 has been deducted while arriving at net profit for the year.

(c) Plant and machinery was purchased during the year at a cost of Rs.1,60,000 but the payment was made in the firm of 8% debentures of Rs.100 each for the same.

(d) Rs.12,800 debentures have been redeemed during 2005. You are required to prepare a statement of sources and applications of funds for the year ended 31st December, 2005.

Q.3 From the following Operating Cycle of Ambica Ltd. examine the short **10 marks** term financing policy of the company and render your comments on the same.

Particulars	**Number of Days**		
	Year 2003	**Year 2004**	**Industry**
Raw Material Holding	30	28	45
Work-in-Process Stock	17	15	20
Finished Goods Inventory	25	20	30
Average Collection Period	55	45	50
Average Payment Period	45	50	40

State assumptions if any, considered.

Time: 60 Min **Total marks: 30**

Chapter → Study of Finance Statement 1 & 2 and Ratio

Instructions: All Questions are compulsory.

Q.1 Explain the following **12 Marks**

(a) Advantage of Vertical Statement
(b) Financial stability ratios
(c) Limitations of trend analysis.

Q.2 You are given the following information of Tango Ltd. Prepare Common Size financial statements. **10 Marks**

Trial Balance as on 31/03/2008

Sr. No.	Account Head	Debit (Rs.)	Credit (Rs.)
(1)	Land and Building	4,00,000	
(2)	Plant and Machinery	3,00,000	
(3)	Furniture	1,70,000	
(4)	Debtors	2,80,000	
(5)	Cash and Bank balance	9,000	
(6)	Creditors		4,80,000
(7)	Outstanding expenses		9,000
(8)	Sales (Gross)		25,00,000
(9)	Purchases	12,00,000	
(10)	Opening Stock	2,20,000	
(11)	Administrative Expenses	8,00,000	
(12)	Profit and Loss A/c		1,60,000
(13)	Selling and Distribution Expenses	4,90,000	
(14)	Share Capital		5,00,000
(15)	Secured Loan		2,80,000
(16)	Sales Returns	20,000	
(17)	Goodwill	35,000	
(18)	Preliminary Expenses	5,000	
	Total	**39,29,000**	**39,29,000**

Additional Information:

(1) Closing Stock on 31/03/2008 was Rs.1,80,000.

Q.3 The Capital Gearing Ratio is 0.75 and Debt-Equity Ratio is 0.40. **8 Marks**
Equity capital of the company is Rs.3,00,000.
Preference Share Capital is Rs.1,00,000.
Find out the other items of the capital structure.

Capital Structure:

	Rs.
Equity Share Capital	___??_____
Reserves	___??_____
Preference Share Capital	___??_____
Loans	___??_____
TOTAL	**??**

Financial Management **60 Marks** **2 Hours**

Section I

1. **Explain the following concepts: (3 marks each)** **12 marks**
   (a) Net Income Approach **(b)** Trading on Equity
   (c) Dividend **(d)** Entity Concept
2. **Case Study** **9 Marks**
   Mr G would like to start his new business. He is planning to start a manufacturing plant. He needs total Rs 5 Crores while he has Rs 2 Crores. Explain him, risks and benefits of borrowing the balance the balance amount. Also make a checklist of documents and information that the bank ask from him for loan purpose.
3. **Case Study** **9 Marks**

Stock Price today	Rs 300
Expected dividend after a year	Rs 75
Dividend expected to grow	5% per annum
Debt equity proportion	Debt 60% & balance equity
Interest Rate	15% per annum
Tax	40%
Total Capital	Rs 1000 Lakh
Asset Leverage	2
Asset Leverage	2
P V Ratio	½
Fixed Operation expenses	Rs 100

   a. Calculate Weighted Average Cost of Capital.
   b. Calculate Degree of Operating, financial and combine leverage.
   c. Explain risk and return on investment in this firm.

Section II Answer Any 3 10 Marks each

4. Discuss Profit maximization vs. Wealth Maximization.
5. Compare merits & demerits of equity asa source of finance vis-à-vis those of debt as a source of finance.
6. What is financial management? Explain functions of finance manager.
7. Equity Rs 500/- and Debt Rs 1,000/- Interest Rate is 10%. Sales Rs 4,500. Variable cost is $2/3^{rd}$ of sales. Fixed operating expenses Rs.500/-
   a. Calculate DoL, DfL and DcL
   b. Calculate RoI. Is financial leverage favorable?
   c. Calculate asset leverage. If industry average is 2, is this firm efficient?
   d. Calculate sales for PBT = 0

8. Expected overall return is 25%. Intrerest rate of debt is 10%. Tax rate 40%.
   a. As per Net Operating Income approach, what is available return to equity shareholders if debt equity ratio is 2 : 1
   b. Shareholders expect the stock to reach price of Rs 50 after a year which is Rs 40 today. This company is not likely to pay any dividend in near future. What is expected return by shareholders?
   c. Observing a and b, would u say it is good investment?
   d. If debt equity ratio in (a) above is 1 : 1, would your answer change?

Financial Management	25 Marks	1 Hour

1) Explain the following concept:
(a) Dividend **(b)** Financial Leverage. **6 Marks**

2) Case Study **9Marks**
Your company has just grown to bigger size and would like to like to appoint a new finance manager. A shortlisted candidate has a meeting with you. Explain him his role and responsibilities in detail. Also tell how your company will reward him, based on his performance, in brief.

3) What is financial management? Explain Profit Maximization vs Wealth Maximization.

OR **10 Marks.**

3) Original Capital Structure includes Equity Rs 340/- and Debt Rs 460/- Cost of Debt is 8% and cost of Equity is 24%. Calculate WACC.
If this WACC remains constant, but cost of debt is 10%, what is return on equity?
In the above (original) capital structure, if expansion plan is funded by 15% preference share of Rs 100, what will be WACC?

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 32

Time: 1 Hr. **Total marks: 30**

Chapter: Capital Structure.

Instructions: All Questions are compulsory.

1. Explain the following concept **(3 Marks)**
Net Income Approach

2. Case Study
A small port is to be developed at Dighi, near Alibaug. Investment is Rs. 100/- Crores. Promiters think, they can get Rs.40 Crores by public issue of Equity, which is free source of capital. Rest all way be their own funds & loans. Are they a right track? Give them your opinion.

3. a) What is trading on equity?
b) What is WACC?
c) Explain Total yield on equity.

4. Stock price today Rs240/- Expected divided Rs60/- Some time which will not grow some time.
Capital Structure

	Rs. Lakh
Equity	400
8% Pref	100
12% Debt	1000

Tax@40%

a) Calculate WACC at present.
b) If expansion plan is undertaken them it will cost Rs.500/- Lack which will be totally funded through 14% Debt. Dividend will then grow @ 5% p.a. [Stock price & expected dividend unchanged]. Calculate WACC on Expansion.

Genius is the ability to reduce complicated to simple… A. Einstein

---

F.M. Test Paper 33

Time: 1 Hr. **Total marks: 30**

Chapter: Source of Finance.

Instructions: All Questions are compulsory.

1. **Concept Testing (2c x 5 Marks)=** **10 Marks**
   a. Objective of cash flow statement
   b. Short term source a finance

2. State 8 explain long term source of finance. **10 Marks**

XYZ

3. FFS for y.e. 31.03.09

	P	Rs. (Crores)
→	Issue of share capital	100.00
→	Bank Loan (10% Years)	500.00
→	Funds from operations	200.00
→	Interest on investment	50.00
		850.00

	Application of Funds	Rs. (Crores)
→	Increase in working capital	100.00
→	Take our MTN Ltd.	600.00
→	Prop divd paid	50.00
→	Prov for tax paid	100.00
		850.00

4. Convert FFS into CFS & comment on cash utilization/management **10 Marks**

Genius is the ability to reduce complicated to simple… **A. Einstein**

F.M. Test Paper 34

Time: 1 Hr. **Total marks: 20**

Chapter: Capital Structure.

Instructions: All Questions are compulsory.

5. Explain the following concept **(2c x 3 marks = 6 Marks)**
   a. Wealth maximization
   b. Motives for holding cash

6. State 8 explain function of finance manager. **(10 marks)**

7. A business wants to invests Rs.10 lakh, Suggest Investment avenves. **(4 Marks)**

Genius is the ability to reduce complicated to simple... A. Einstein

F.M. Test Paper 35

Time: 1 Hr. **Total marks: 20**

Instructions: All Questions are compulsory.

8. Concept testing **(2c x 3 marks = 6 Marks)**

a. Wealth Maximisation.
b. Acounting principles.
c. Inter Corporate deposit.
d. ADR & GDR.

2. Ms Radha has joined XY10 Ltd, as a finance manager. You being finance director explain her function of finance manager, which will help her fulfill job responsibilities. **(9 Marks)**

3. Ms Rutika want to setup a project. Project cost Rs.50 crores (35 crores fixed Asset & 15 crores W. Capital). She wants to know from you possible sources of finance to set up the project. Please guide her. **(9 Marks)**

Genius is the ability to reduce complicated to simple… A. Einstein