



Model Test Paper
B.Com II year
(Financial Management)

Time: 03.00 Hrs.

M.M. 100

Attempt all the questions. All Questions are compulsory, each question carry 20 marks.

Q1 From the following balance sheet of a limited as on 31st march 2009 and 2010. You are required to prepare fund flow statement for the year ending 31st March 2010 and schedule of change in working capital.

Liabilities	31.03.2009	31.03.2010	Assets	31.03.2009	31.03.2010
Share Capital	200000	200000	Goodwill	25000	20000
General reserve	65000	70000	Building	90000	80000
Sundry Creditors	15000	12800	Machinery	75000	80000
Bills Payable	6000	4000	Investments	15000	18000
Provision for taxation	15000	20000	Stock	60000	50000
Provision for doubt full debts	1000	1200	Book debts	20000	22000
			Bills Receivable	5000	7000
			Cash at bank	12000	31000

Additional Information

- (A) Dividend paid@10%
- (B) Depreciation charged on Machinery Rs.1000
- (C) Provision For taxation of Rs. 22000 was made.

OR

Q2 From the following balance sheet of B limited make out the cash flow statement as per AS-3

Liabilities	31.03.09	31.03.10	Assets	31.03.09	31.03.09
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Equity share capital	300000	400000	Goodwill	115000	90000
12% Pre share	150000	100000	Land & Building	200000	170000
General reserve	40000	70000	Plant	80000	200000
P &L Account	30000	48000	Debtors	160000	200000
Proposed Dividend	42000	50000	Stock	77000	109000
Creditors	55000	83000	Bills receivable	20000	30000
Bills payable	20000	16000	Cash in Hand and at bank	25000	18000
Provision for taxation	40000	50000			

Additional Information

- Depreciation of Rs. 10000 and Rs.20000 have been charged on plant account and land and building account respectively in 2009-2010.
- An interim dividend of Rs.20000 has been paid in 2009-2010.
- Income tax Rs.35000 was paid during the year 2009-2010

Q3 What is the Cash Flow statement How does it differs from the Fund flow statement?

OR

Q4 From the following balance sheet of C Ltd prepare the statement of change in working capital and funds flow statement at the year ended 31st March2010

Liabilities	31.03.2009	30.03.2010	Assets	31.032009	31.03.2010
Share capital	300000	350000	Goodwill	100000	80000
Debenture	150000	250000	Machinery at cost	410000	540000
General Reserve	100000	150000	Investment	30000	80000

Profit and loss account	60000	70000	Discount on Issue of debenture	5000	-
Provision for depreciation on Machinery	90000	130000	Cash at bank	120000	130000
Sundry creditors	75000	100000	Sundry debtors	80000	190000
Bills payables	10000	15000	Stock in trade	40000	55000

During the year investment cost Rs. 30000 were sold for Rs.28000. A machine was sold Rs. 25000. It had cost Rs.40000 and accumulated depreciation on it was Rs 8500.

Q5 the selected financial data for A B C companies for the year ended 31st December 2004 are as follows

	A	B	C
Variable expenses as % of sales	62.67%	75%	50%
Interest expenses	Rs.200	Rs.300	Rs.1000
Degree of operating leverage	5	6	2
Degree of financial leverage	3	4	2
Income tax rate	50%	50%	50%

Prepare the income Statement for A B and C Company.

OR

Q6 Critically evaluates the statement in the broader context of the contribution of the contribution of Modigliani miller approach of capital structure theory?

Q7 Smith limited sells goods at a gross profit of 25 % . Depreciation is taken into the account as a part of cost of production. The following are the annual figures given to you.

Sales (2 month credit)	1800000
Material consumed (1 month)	450000

Wages paid(one month lag in payment)	360000
Cash manufacturing expenses one month lag in payment	480000
Administrative expenses one month lag in payment	120000
Depreciation on fixed assets	60000
Sales promotion expenses(Paid quarterly in advance)	60000
Income tax payable in 4 installment of which one lies in the next year.	150000

The Company keeps one month stock of raw material and finished goods. It also keeps Rs.100000 in cash. You are required to estimate the working capital requirements of the company assuming 15% safety margin.

OR

Q8 Define the Financial Management and Discuss the functions and limitation of Financial management?

Q9 From the following details prepare the summarized balance sheet with as many details as possible:

Stock turnover (based on the cost of good sold)	6 times
Capital turnover ratio (based on the cost of good sold)	2
Fixed assets turnover ratio (based on the cost of good sold)	4
Gross profit ratio	20.00%
Debtors velocity	2 months
Creditors velocity	73 days

The gross profit was 60000 rs., Reserve and surplus 20000 Rs.,. Closing stock was Rs. 5000 excess of opening stock.

OR

Q 10 Explain the Banmol's model of cash management with diagram?



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Q1 The following details of A ltd for the year ended 31st march 2014 are furnished below

Operating leverage = 3:1

Financial leverage= 2:1

Interest charge per annum = Rs. 20 lakh

Corporate tax rate 50%

Variable cost as percentage of Sales 50%

Prepare the income statement.

Or

Q2 Critically examine the Traditional approach and Modigliani Millar approach of Capital structure theory?

Q3 A ltd are considering two different investment proposal. The details are as under:

	Proposal A	Proposal B
Investment cost	9500	20000
Estimated cash flow at the end of		
1	4000	8000
2	4000	8000
3	4500	12000

(A) Suggest the most attractive proposal on the basis of Excess present value method considering the future cash flows are discounted at 12%.

(B) Also find out the IRR of the two proposals.

Or

Q4 Explain the role of ratio analysis in the interpretation of Financial Statements. Examine the limitation of ratio analysis?

Q5 Q1 On 1st April 2010, A company wishes to know the amount of working capital required by preparing the projected balance sheet.

Issued share capital	200000
8% debenture	100000
Fixed assets on 1st Jan	110000

The expected ratio cost to selling are

Material	50%
Direct wages	20%

Other information

- (A) Estimated production 48000units
- (B) Raw material time 1.5 months
- (C) WIP time 2 months.
- (D) Finished good will stay 2 months
- (E) Credit to debtors 2.5 month.
- (F) Credit from creditors is 1 month.
- (G) Time lag in payment of wages and overheads is 1.5 month.
- (H) Selling price is 10 Rs.

There is a regular production and the sales cycle. Ignore the depreciation.

OR

Q6 what is the concept of working capital. What factors determine the needs of working capital and how is it measured?

Q7 Explain the significance and application of the technique of discounted cash flow?

OR

Q8 Prepare the projected Balance sheet on the basis of the following Information

Estimated Sales: 450000 Rs

Sales to net worth: 2.5 Times

Total debt to net worth: 65%

Current liabilities to net worth: 25%

Current Ratio:3.6

Sales to inventory:5 times

Avg. collection period=36 days (360 in a year)

Fixed assets to networth=75%

Q9Diniesh limited is selecting a inventory control for its inventories. Using the following data prepare ABC Plan

(Items)	A	B	C	D	E	F	G
Units	8000	15000	5000	7500	5000	7000	2500
Unit cost	5.50	1.70	30.40	1.50	0.65	5.14	51.20

OR

Q10 10Balance sheet of Mr. Ram and Shyam on 1st April 2005 and 2006 were as follows?

Liabilities	2005	2006	assets	2005	2006
Creditors	40000	44000	cash	10000	7000
Mr Ram Loan	25000	-	Debtors	30000	50000
Loan from PN Bank	40000	50000	Stock	35000	25000
Capital	125000	153000	Machinery	80000	55000
			Land	40000	50000
			Building	35000	60000

During the year a machine costing Rs.10000 (accumulated depreciation rs.3000) was sold for Rs. 5000 . the balance of provision for depreciation against machinery as on 1st April 2005 was Rs. 25000 and on 31st March 2006 rs.40000. Net profit for the year 2005-2006 amounted to Rs. 45000.

You are required to prepare cash flow statement giving necessary working notes.