

Internal Examination, 2021  
B.Com. Semester VI (Hons. & Gen.)  
Financial Reporting and Financial Statement Analysis (DSE 6.1 A)

Answer any one

1. The following summary cash account has been extracted from the company's accounting records:

Particulars	(Rs.'000)	(Rs.'000)
Balance at 01.03.2020		35
Receipts from customers		2783
Issue of shares		300
Sale of fixed assets		<u>128</u>
		3246
Payments to suppliers	2047	
payments for fixed assets	230	
Payments for overheads	115	
Wages and salaries	69	
Taxation	243	
Dividends	80	
Repayments of bank loan	250	<u>3034</u>
Balance at 31.03.2021		212

Prepare a cash flow statement for the year ended 31.03.2021.

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2. From the following information, prepare a summarised Balance Sheet as at 31<sup>st</sup> March 2021.

Net Working Capital	240000
Bank Overdraft	40000
Fixed Assets to Proprietary ratio	0.75
Reserves & Surplus	160000
Current ratio	2.5
Liquid ratio (Quick Ratio)	1.5

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**B.COM, SEMESTER 6 (HONS + GENERAL)**  
**INTERNAL ASSESSMENT, 2021**  
**PAPER DSE 6.2: FINANCIAL MANAGEMENT**

TIME: 30 MINUTES

FM: 10

Answer any one question:

- 1) a. What is Time-Value of money?  
b. You intend to take a loan of Rs 1000000 from a Bank repayable by an equal annual instalment over a period of five years. The bank charges interest @10% p.a. on such loan. How much do you have to pay in each instalment? Given,  $PVIFA_{10\%,5} = 3.791$   
c. Mr X retires at the age of 60 years and his employer gives him two options:  
Option 1: A lump sum of Rs 1200000 on retirement  
Option 2: Accept a pension of Rs 150000 per year for rest of his life.  
It is expected that he will survive for another 15 years. If the rate of interest is 9%  $PVIFA_{9\%,15} = 8.061$ , advice Mr A on his best alternative. (2+3+5)
- 2) a. What is Trading on Equity? What is Indifference Point?  
**OR**  
What is Optimum Capital structure? Name two Capital Structure Theories that do not consider the relevancy of Financial Leverage on the Cost of Capital and Value of the firm.  
b. Zenith Limited provides the following information:  
Capital structure: 12% Debenture-Rs 200000; 9% Preference Shares- Rs 300000 and 4000 Equity Shares of Rs 100 each.  
Revenue and Operating cost details: Sales 3000 units @ Rs 600 per unit; Variable Operating Cost-Rs 350 and Fixed Operating Cost- Rs 320000. Corporate Tax Rate and Dividend Distribution Tax Rate is 30% and 10% respectively.  
Calculate DOL, DFL and DCL using the concept of leverage. Also find the percentage change in EPS if sales increases by 10%. (3+7)
- 3) a. What is Working Capital Cycle?  
b. The production capacity of Apex Limited is 520000 units per annum. Due to power crisis, the company can operate at 80% of the capacity level. You are asked to ascertain the Working Capital requirement at the current level of operation. Add 10% to your computed figure of working capital to allow for contingencies.

Other information:

1. Selling price- Rs 20 per unit
2. Elements of cost (per unit): i) Raw material-40% of selling price; ii) Labour-30% of selling price; iii) budgeted overhead- Rs 32000 per week overhead includes depreciation of Rs 8000 per week.
3. Planned stock will include 24000 of finished goods.
4. Time lag information: i) Raw material in stores: 3 weeks ii) Materials will stay in process: 2 weeks iii) Credit allowed to Debtors: 5 weeks iv) Credit allowed by Creditors: 1 month v) Lag in payment of wage and overhead: ½ month.

25% of the sales may be considered to be for cash. Assume that production is carried on evenly throughout the year and wages and overheads accrue similarly.

Note: A year comprises of 52 weeks and a month comprises of 4 weeks.

(2+8)