SVKM's NMIMS University
School of Distance Learning

Accounting & Finance for Managers

Date: 13.6.2008 **Marks: 100**
Time: 11.00 am to 2.00 pm

SECTION – A

Answer any THREE from the following SIX questions. Each question carries 20 marks.

Q.1. The following trial balance has been extracted from the books of M/s. Mallikarjun and Co. on 31.3.2000.

Account	Dr.(Rs.)	Cr.(Rs.)
Opening Stock	22,500	
Drawings	7,200	
Purchases	72,500	
Sundry Debtors	18,000	
Sales Returns	1,400	
Carriage Inwards	1,300	
Factory rent and taxes	5,600	
Manufacturing wages	18,000	
Octroi	1,550	
Carriage outwards	1,200	
Salaries (administrative staff)	18,500	
Insurance premium	1,200	
Office rent	2,400	
Traveling expenses	6,300	
Cash in hand	500	
Cash at bank	2,500	
Bills receivable	5,000	
Furniture	9,000	
Machinery	30,000	
Interest received		1,300
Bad debts	600	
Commission received		1,000
Purchase returns		1,400
Sundry Creditors		16,800
Bills payable		4,000
Capital		46,000
Sales		154,750
TOTAL	225,250	225,250

The following additional information is available:

1. The closing stock on 31st March 00 is valued at Rs.35,000
2. Manufacturing wages and office salaries are outstanding as Rs.2300 and Rs.1900 respectively.
3. The commission of Rs.200 is received in advance.
4. The depreciation is to be charged @10% on furniture and 15% on machinery.

You are required to Profit and Loss Account and Balance Sheet.

Q.2.

Twinkle Ltd. has given following data.

Balance Sheet as at 31.03.2007

LIABILITIES (Sources Of Funds)

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

ASSETS (APPLICATION OF FUNDS)

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

From the above information you are required to calculate the following ratios for 2007 and 2006:

a. Current Ratio
b. Quick Ratio
c. Debt Equity Ratio

Q.3. As investment of Rs.1,36,000 yields the following cash inflows (profit before depreciation but after tax):

Year	Rs.
1.	30,000
2.	40,000
3.	60,000
4.	30,000
5.	20,000
	1,80,000

Calculate NPV at 10% discounting factor.

Q.4. The WalkRite Shoe Company operates a chain of shoe stores that sell 10 different styles of inexpensive men's shoes with identical unit costs and selling prices. A unit is defined as a pair of shoes. Each store has a store manager who is paid a fixed salary. Individual sales people receive a fixed salary and a sales commission. WalkRite is considering opening another store that is expected to have the revenue and cost relationships shown here:

1	**Unit Variable Data (per pair of shoes)**			**Annual Fixed Costs**	
2	Selling Price	Rs 30.00		Rent	Rs60,000
3	Cost of shoes	Rs 19.50		Salaries	200,000
4	Sales commission	1.50		Advertising	80,000
5	Variable cost per unit	Rs 21.00		Other fixed costs	20,000
6				Total fixed costs	Rs360,000

What is the annual breakeven point in (a) units sold and (b) revenues ?

Q.5. 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 by 20 per cent what shall be the impact on the profitability of the two firms?

Q.6. The earnings per share of a company are Rs 10. It has an internal rate of return of 10 per cent and the capitalization rate of its risk class is 15 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?

SECTION – B

Answer any TWO from the following FOUR questions. Each question carries 20 marks.

Q.7. State the group of persons having an interest in a business organization and examine the nature of their information needs.

Q.8. Explain any three concepts:

(a) Variable Cost
(b) Fixed Cost
(c) Direct Cost
(d) Indirect Cost
(d) Opportunity Cost

Q.9. Is it possible to give a true or a fair view of a company's position using accounting information?

Q.10. What factors a financial manager would ordinarily take into consideration while estimating working capital needs of his firm?

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