



**RB-1955**

**Under Graduate Diploma in F. M. Examination**  
**April / May – 2010**  
**Appraisal & Analytical Tools in F. M. : Paper - II**

Time : 3 Hours]

[Total Marks : 70

**Instructions :**

(1)

नीचे दशांशवैध निशानीवाणी विगतो उत्तरवही पर अवश्य लपवी. Fillup strictly the details of signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
<input type="text" value="Under Graduate Diploma in F. M."/>	<input type="text"/>
Name of the Subject :	<input type="text"/>
<input type="text" value="Appraisal &amp; Analytical Tools in F. M. - 2"/>	<input type="text"/>
Subject Code No. : <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="5"/>	<input type="text"/>
Section No. (1, 2,.....): <input type="text" value="Nil"/>	<input type="text"/>
	Student's Signature

1 Do as directed :

- (a) If stock turnover is 5 times, opening stock is Rs. 5000 less than the closing stock and average stock is Rs. 20,000, find out purchases. 5
- (b) The following information is supplied in respect of a factory : 5
- |                        |              |
|------------------------|--------------|
| Output                 | 70,000 units |
| Fixed cost             | Rs. 1,80,000 |
| Variable cost per unit | Rs. 5        |
| Selling price per unit | Rs. 8        |
- (i) What should be output and sales at break-even point ?
- (ii) If the selling price is reduced to Rs. 7 per unit, how many units should be produced to yield the same amount of profit as at present.
- (c) The P/V ratio of manufacturing company is 50% and the margin of safety is 40%. Find out the break even point and the net profit if the sales volume is Rs. 60,000. 4

- 2 Prepare a statement showing "Sources and application of funds" after taking into account the balance sheet and additional information given below. All the calculations done are to be shown as a part of your answer. 14

Liabilities	2006 (Rs.)	2007 (Rs.)	Assets	2006 (Rs.)	2007 (Rs.)
Equity share capital	2,00,000	2,50,000	Goodwill	30,000	27,000
Securities Premium	10,000	15,000	Land and Buildings	90,000	1,40,000
General Reserve	35,000	40,000	Machinery	1,30,000	1,50,000
Profit and Loss A/c	25,000	90,000	Furniture and Fixtures	15,000	13,500
6% debentures	1,00,000	1,00,000	Sundry Debtors	45,000	70,000
Creditors	30,000	40,000	Cash and Bank		
Provision for taxation	18,000	15,000	Balance	5,800	7,000
			Stock	50,000	96,000
			Debenture discount	1,200	1,000
			Preliminary expenses	1,000	500
	<b>4,18,000</b>	<b>5,50,000</b>		<b>4,18,000</b>	<b>5,50,000</b>

Additional Information :

- (i) Depreciation written off : Land and Buildings Rs. 9,000, Machinery Rs. 13,000, Patents Rs. 5,000, Furniture and fixtures Rs. 1,500.
- (ii) During the year Machinery of Rs. 20,000 was sold at Rs. 15,000.
- (iii) During the year taxes and dividend paid were Rs. 10,000 and Rs. 20,000 respectively.

OR

- 2 A simplified income statement of Zenith Ltd. is given below. Calculate and interpret its degree of operating leverage, financial leverage and degree of combined leverage. 14

Zenith Ltd.

Income Statement for the year ended 31st March 1998.

<i>Particulars</i>	<i>Rs.</i>
Sales	10,50,000
Variable cost	7,67,000
Fixed Cost	<u>75,000</u>
EBIT	2,08,000
Interest	1,10,000
Taxes (30%)	<u>29,400</u>
Net Income	68,600

- 3 Given the following information : 14

Units of Output	Rs. 10,00,000
Fixed Costs	Rs. 15,00,000
Variable Cost per unit	Rs. 4
Selling price per unit	Rs. 10

You are required to determine :

- (i) The break even point
- (ii) The sales needed for a profit of Rs. 12,00,000 (in value and in units)
- (iii) The profit, if 8,00,000 units are sold at Rs. 12 per unit.

OR

3 Write notes on : 14

- (i) Trading on equity
- (ii) Average rate of return.

4 The following are the summarised balance sheets for 14  
two years. You are required to rearrange them in the  
form suitable for computing ratios :

Balance Sheets

Liabilities	2007	2008	Assets	2007	2008
Share Capital			Fixed Assets	3,50,000	4,90,000
equity shares			Less :		
of Rs.100 each	1,00,000	1,50,000	Depreciation		
10% preference			Current Assets :		
shares of			Stock	1,50,000	60,000
Rs.100 each	50,000	50,000	Debtors	40,000	30,000
Reserves	2,00,000	1,50,000	Cash	10,000	5,000
6% debentures	1,00,000	1,00,000			
Current					
Liabilities	80,000	1,20,000			
Unpaid					
Expenses	20,000	20,000			
	<b>5,50,000</b>	<b>5,90,000</b>		<b>5,50,000</b>	<b>5,90,000</b>

OR

4 A company is contemplating to purchase a machine. 14

Two machines A and B are available, each costing Rs. 5 lakhs. In comparing the profitability of the machines, a discounting rate of 10% is to be used and the machine is to be written off in 5 years by straight line method of depreciation with nil salvage value. Cash inflows after tax are expected as follows :

Years	Machine A (Rs. in lakhs)	Machine B (Rs. in lakhs)
1	1.5	0.5
2	2.0	1.5
3	2.5	2.0
4	1.5	3.0
5	1.0	2.0

Indicate which machine would be profitable using the following methods of ranking investment proposals.

- (i) Pay back method
- (ii) Net present value method
- (iii) Profitability Index Method and
- (iv) Average value of Return

The discounting factors at 10% are :

Years	1	2	3	4	5
Discounting factor	0.909	0.826	0.751	0.683	0.621

- 5 Following is the summarised Balance sheet of Mona Ltd. 14  
as on 31-3-2008 :

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	10,00,000	Land and Building	12,60,000
10% Preference shares of Rs. 100 each	4,00,000	Plant and Machinery	7,00,000
Reserves and Surplus	7,00,000	Furniture	1,00,000
10% debentures	5,00,000	Closing Stock	2,00,000
Sundry Creditors	2,40,000	Investment (short term)	2,00,000
Bank Overdraft	1,60,000	Sundry Debtors	4,60,000
Bills payable	40,000	Bills Receivable	60,000
Workmen's Saving Account	20,000	Cash at Bank	60,000
		Preliminary expenses	20,000
	<b>30,60,000</b>		<b>30,60,000</b>

Summarized profit and loss account for the year ending  
on 31.3.2008 :

	<i>Rs.</i>
Sales (25% cash sales) .....	80,00,000
Less: Cost of goods sold .....	56,00,000
Gross Profit .....	24,00,000
Net Profit (before interest and tad 50%) .....	9,00,000
Less : 10% Debenture Interest .....	50,000
Profit before tax .....	8,50,000
- 50% taxes .....	4,25,000
Net profit (after interest and tax) .....	4,25,000
Credit Purchases .....	55,00,000
Opening Stock .....	3,00,000

Calculate following ratios : (360 days of the year)

- (i) Current Ratio
- (ii) Liquid Ratio
- (iii) Gross Profit Ratio
- (iv) Net Profit Ratio
- (v) Stock turnover
- (vi) Debtors Ratio
- (vii) Creditors Ratio

**OR**

**5** Write short notes (any two)

**14**

- (i) Net Present Value
  - (ii) Importance of Ratios
  - (iii) Utility of fund flow statement
  - (iv) Limitations of Ratio Analysis
  - (v) Significance of cost of capital.
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