Bangabasi College

Test Examination—2016

B.Com., Part - III

Indian Financial Systems and
Financial of Market operation

Time: $1\frac{1}{2}$ Hrs. Full Marks - 50

1. Answer any two questions : $2 \times 2\frac{1}{2}$

a) Explain in breaf the function of Financial Systems.

b) State the principal objectives of a developement Bank.

c) Define Financial Market.

d) What do you mean by Money Market ?

2. Answer any three questions : 3x10

a) Discuss the functions of Reserve Bank of Indian.

b) What the role of Development Bank in the India Economy ?

c) Discuss the function of Life Insurance Corporation of India.

d) Discuss the importance of Money Market.

e) Discuss the features of Capital Market.

f) Discuss the feature of Financial Services.

3. Answer any one questons : 1x15

a) Discuss the features of Interest Rate structure.

b) Discuss the function of Company Law Board.

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Test Examination - 2016
B.Com.(Hons.)-Part III
Paper - I
Sub: Financial Accounting III and Financial Management

Time : 4 Hrs. Full Marks : 100

Section A : Financial Accounting III (50 Marks)

Answer any one of the following questions 5 x 1 = 5

1. The incor statements of a concern for the year ending on 31st December, 2014 and 2015 are given below. Re-arrange the figures in a comparative form and study the profitability position of the concern.

Particulars	2014	2015
	Rs.'000	Rs.'000
Net Sales	945	1250
Cost of Goods Sold	620	785
Operating Expenses :		
Office and Administration Expenses	90	105
Selling and Distribution Expenses	45	52
Non-operating Expenses :		
Interest Paid	25	35
Income-tax	55	60

2. With the help of following information for the year ended 2015, prepare a 'Common-size Statement'.

Selling and Distribution Expenses	Rs. 10,000
Administration Expenses	Rs. 20,000
Cost of Sales	75% of Net Sales
Income Tax	20% of Net Profit Before Tax
Net Income after tax	Rs.48,000
Other Income	Rs. 10,000

Answer any two of the following questions 15 x 2 = 30

3. A company was incorporated on 1st May,2015 to take over a business from the preceding 1st January. The accounts were made

upto 31st December, 2015 as usual and the Trading and Profit and Loss Account gave the following result:

Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,40,000	By Sales	12,00,000
To Purchases	9,10,000	By Closing Stock	1,50,000
To Gross Profit c/d	3,00,000		
	13,50,000		13,50,000
To Rent, Rates and Insurance	18,000	By Gross Profit b/d	3,00,000
To Director's Fees	20,000		
To Salaries	51,000		
To Office Expenses	48,000		
To Travellers' Commission	12,000		
To Discounts	15,000		
To Bad Debts	3,000		
To Audit Fees	8,500		
To Depreciation	6,000		
To Debenture Interest	4,500		
To Net Profit	1,14,000		
	3,00,000		3,00,000

It is ascertained that the sales for November and December are one and half times the average of those for the year, whilst those for February and April are only half the average. Apportion the year's profit between the pre-incorporation and the post-incorporation period.

4. The Balance Sheet of Golden Ltd as on 30.06.2015 is given below :

Liabilities	Rs.	Assets	Rs.
Share Capital: 2000, shares of Rs. 100 each	2,00,000	Land and Building	1,10,000
General Reserve	40,000	Plant and Machinery	1,30,000
Profit and Loss Account	32,000	Patents and Trademarks	20,000
Sandy Creditors	1,28,000	Stock	48,000
Income-tax Reserve	60,000	Debtors	88,000
		Bank balance	52,000
		Preliminary Expenses	12,000
	4,60,000		4,60,000

The expert valuer valued the land and building at Rs.2,40,000 ; goodwill at Rs. 1,60,000 ;and plant and machinery at Rs. 1,20,000. Out of the total debtors, it is found that debtors of Rs.8,000 are bad. The profits of the company have been as follows :
2003- Rs.80,000 ; 2004- Rs.90,000 ; 2005- Rs. 1,06,000.

Rate of depreciation on plant and machinery @ 15% and on land and building @ 10%.

The company follows the practicing of transferring 25% of profits to general reserve. Similar type of companies earn at 10% of the value of their shares. Ascertain the value of shares of the company under :

(i) Intrinsic Value Method ;

(ii) Yield ˙ 'alue Method; and

(iii) Fair Value Method. Ignore Taxation.

5. From the following information prepare the balance Sheet of Mr. R as on 31.3.15.

Fixed Assets	Rs.6,00,000
Working Capital	Rs.4,00,000
Current Ratio	2
Fixed Asset to Turnover	4
Gross Profit	25%
Debtors Velocity	1.5 months
Creditors Velocity	2 months
Net Profit	5% of Turnover
Reserves	2/3rd of Net Profit
Capital Gearing	1 : 1
Stock	2 months

6. From the following Balance Sheets of R.S. Enterprise, Prepare a Cash Flow Statement as per AS - 3:

Balance Sheet as at 31.03.2014 & 31.03.2015 (Rs. in '000)

Liabilities	2014 (Rs.)	2015 (Rs.)	Assets	2014 (Rs.)	2015 (Rs.)
Eq. Share Capital (Rs.10)	500	1,100	Goodwill	80	55
8% Red. Preference Share Capital (redeemable at 10% premium)	200	150	Fixed Assets	750	1,420
11% Debentures	300	450	Inventories	180	270
Reserves & Surplus	150	155	Debtors/Receivables	240	175
Bank Overdraft	30	-	Investments	80	60
Sundry Creditors	120	100	Prepaid Expenses	20	15
Provision for Taxation	40	40	Fictitious Assets	30	20
Proposed Dividend	60	65	Cash and Bank	20	45
	1,400	2,060		1,400	2,060

Other information available on 31.03.2015 :

1. An old furniture (valued at Rs. 14,000 after 30% depreciation) sold for Rs. 12,000 and Accumulated depreciation on fixed assets as on 31.03.14 and 31.03.15 were Rs. 1,80,000 and Rs.2,10,000.
2. Land and Building and stock of another firm of Rs. 5,30,000 and Rs.60,000 respectively were purchased for a consideration of Rs.6,00,000 paid for in shares.
3. Tax liabilities provided for 2014 was 20% lower than final settlement.
4. Debentures were issued at 10% discount and interest on bank overdraft and dividend on investment were Rs.2,400 and Rs.5,600 respectively.

Answer any one question : 1x15=15

7. Ganesh Limited agreed to acquire the business of Kartick Limited as on 31st March, 2015. The Balance Sheet of Kartick Limited as on that date was as under :

Liabilities	Rs	Assets	Rs
20,000, 8% Preference Shares	2,00,000	Plant	4,00,000
40,000 Equity Shares	4,00,000	Land & Building	2,00,000
Reserves	40,000	Stock	4,00,000
Profit and Loss Account	60,000	Receivables	1,00,000
9% Debentures	2,00,000	Cash at Bank	70,000
Sundry Creditors	3,00,000	Preliminary Expenses	20,000
		Discount on Debentures	10,000
	12,00,000		12,00,000

The consideration payable by Ganesh Limited was agreed as under :

(i) The Preference Shareholders of Kartick Limited were to be allotted eleven 10% Preference Shares of Rs.10 each for every 10 shares held, (ii) Equity Shareholders to be allotted six equity shares of Rs.10 each issued at a premium of 10% and Rs.6 in cash against every five shares held, (iii) 9% Debenture-holders of Kartick Limited are to discharged at 8% premium by 10% Debentures of Ganesh Limited issued at 10% discount.

While arriving at the agreed consideration the directors of Ganesh Limited valued Land and Building at Rs.5,00,000; Stock at Rs.4,40,000 and Debtors at their book value subject to an allowance of 5% to cover doubtful debts. Debtors of Kartick Limited included Rs. 10,000 due from Ganesh Limited.

It was agreed that, before acquisition, Kartick Limited will pay dividend at 10% on Equity Shares and retain Rs.5,000 cash at bank to pay for liquidation expenses.

Prepare ledger accounts to close the books of Kartick Limited and show the opening journal entries in the books of Ganesh Limited.

8. Prepare a Consolidated Balance Sheet in the books of H Co. Ltd. from the following Balance Sheets of H Co. Ltd. S Co' Ltd. and given information :

Balance Sheets as on 31st March, 2015

Liabilities	H Co. Ltd.	S Co. Ltd	Assets	H Co.Ltd.	S Co. Ltd.
Preference Share Capital	2,00,000	40,000	Goodwill	80,000	60,000
Equity Shares Capital of			Land and Building	4,00,000	2,60,000
Rs. 100 each	8,00,000	4,00,000	Plant and Machinery	3,20,000	1,80,000
General Reserves (1.4.14)	2,00,000	1,20,000	Receivables	40,000	1,50,000
Profit and Loss A/c	2,80,000	1,80,000	Stock	2,00,000	1,80,000
12% Debentures '	-	1,50,000	3,000 Shares in S Co. Ltd.		
Sundry Creditors	1,60,000	1,00,000	purchased on 30.9. 14.	4,80,000	-
Bills Payable	-	40,000	Cash / Bank	1,20,000	40,000
			Preliminary Expenses		10,000
	16,40,000	8,80,000		16,40,000	8,80,000

Information:

1. Profit & Loss A/c of S Co. showed a credit balance of Rs. 1,00,000 on 1st April,2014.
2. A dividend of 15% was paid by S Co. in October,2014 for the year ended 31st March, 2014 which was credited to Profit & Loss A/c of H Co.
3. Included in creditors of S Co. Rs.40,000 for goods supplied by H Co. Also included in the stock of S Co. are goods to the value of Rs. 16,000 which were supplied by H Co. at a profit of 25% on sales.
4. Plant and Machinery were revalued at Rs.3,00,000 which stood in the books at Rs.2,00,000 in the beginning.
5. There is a contingent liability of Rs.2,000 foe pending suit in the court in the books of H Co.

Section B - Financial Management (50 Marks)

Answer any four questions 4x5=20

1. Discuss the main objectives of financial management.
2. Evaluate the debentures as a source of finance.

Q.9. Precision Instruments is considering two mutually exclusive projects M and N. Following details are made available to you:

(Rs. in lacs)

	Project M	Project N
Project Cost	700	700
Cash Inflows: Year 1	100	500
Year 2	200	400
Year 3	300	200
Year 4	450	100
Year 5	600	100

Assume no residual values at the end of the fifth year. The firm's cost of capital is 10%. Required in respect of each of the two projects :

(i) Net Present Value, using 10% discounting;

(ii) Internal Rate of Return. 4 + 6 = 10

10. Calculate weighted average cost of capital from the following information :

(i) Capital Structure of ABC Ltd.	Rs. '000
Equity Capital : Shares of Rs. 10 each fully paid	100
Reserves (General)	50
Long term debt	100
	250

(ii) Market price per share of ABC Ltd. is Rs.60 and Earnings per share is Rs.6.Expected growth rate in earnings is 5% p.a.

(iii) Cost of debt (before tax) : 12% p.a.

(iv) Applicable tax rate : 30%

(v) Use market values as weights and show your workings.