Third year B.Com Examination
MAY-2017 (External 14 Paper)
AC-12 Financial Accounting-II

Time: 3 Hours [MARKS 100

Q-1 The information of 'Abhi' Ltd. are as follows (20)

Equity share capital (Each Rs. 10)	Rs. 9,00,000
10% Debentures	Rs. 6,00,000
Sales (per Unit Rs. 200)	4,500 Units
Variable Expenses (per Unit Rs. 100)	
Fixed Expenses	Rs. 1,50,000

Calculate Rate of Tax is 50%

(1) Earning per share (EPS.)
(2) Degree of financial leverage (DFL)
(3) Degree of operating leverage (DOL)
(4) Degree of Combined leverage (COL)
(5) EPS when sales increse by 50%
(6) EPS when variable Expenses increase by 20%

OR

Q-1 A, B, C and D are four companies filling in the same industry class with different financial plans. following Data are extracted from their respective financial statements for the year ended on 31-3-2016: (20)

Particulars	A	B	C	D
Equity Capital (Rs. 10 each)	5,00,000	4,00,000	2,50,000	1,00,000
12% Debentures	—	1,00,000	2,50,000	4,00,000
Earning Before Int. & Taxes (EBIT)	1,00,000	1,00,000	1,00,000	1,00,000

All the companies fall under 50% Tax bracket.

Answer the following

(1) Calculate the earning per share (EPS) for each of the company.
(2) Explain why the EPS of A is substantially different from that of D, Dispite the identical capital employed and EBIT

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Q-2 "Dhairya" Ltd. Think to launch a project. (20)
For this, two alternative plans are available, viz. plan-1 and plan-2 for each plan initial investment will be Rs- 3,00,000. Project's life is five years. Depreciation is calculated at straight line method and rate of taxation is 50%.

Annual cash flow (Before deduction of depreciation and taxation) will be under:

Year	Plan-1 (Rs.)	Plan-2 (Rs)
1	1,20,000	1,50,000
2	1,20,000	1,50,000
3	1,20,000	120,000
4	1,20,000	120,000
5	1,20,000	60,000

Evaluate both the projects plans on basis of following methods.
(1) Pay-back period method.
(2) Average accounting rate of return method.
(3) Net Present Value method.

Present value of Rs. 1 for first five years at 10% discount rate is as under.
0.909, 0.826, 0.751, 0.683 and 0.621.

or

Q-2 'Bhavnagar' Company is thinking to purchase a new plant at a price Rs. 120,000. The company estimates maintenance expenses of Rs. 12,000 per year during its active life. Estimated life of the plant is 6 years, scrap value will realise Rs. 24,000. Estimated cashflow (before depreciation, taxes, and maintenance expenses) is as under (20)

Year	Rs.	Year	Rs.
1	28,000	4	60,000
2	40,000	5	50,000
3	80,000	6	40,000

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the company calculates depreciation on straight line method. presuming the rate of discount 12% and rate of Tax 50%.

Answer the following

(i) Payback period

(ii) Average rate of return

(iii) NPV.

(iv) Profitability Index

Year	Present value of Rs. 1 at 12% discount factor
1	0.893
2	0.797
3	0.712
4	0.636
5	0.567
6	0.507

Q-3 What is Cash management? Discuss merits & Demerits of cash management. (20)

or

Q-3 (A) Explain cash budget (10)

(B) Discuss problems of cash management (10)

Q-4 What is receivables management? Explain determinant factors affecting size of receivables in detail. (20)

or

Q-4 (A) Explain different in between Leberal credit Policy and strict credit policy. (10)

(B) Explain objectives of maintaining receivables (10)

Q-5 Explain meaning of inventory management. state in detail merits and cost of holding inventory (20)

or

Q-5 (A) Write note: ABC inventory method. (10)

(B) Explain EOQ, maximum Level & minimum level (10)