

Semester: Oct 2024				
Maximum Marks: 50		Examination: End Exam	Date:	Duration: 2.5 hours
Programme code: MBA for working executive (program code-18) Programme: MBA for Working Executives Batch 3		Class: FY	Semester: I Batch-3	
College: K. J. Somaiya Institute of Management		Name of the department: Finance & Law		
Course Code: 117P18C101		Name of the Course: Financial & Cost Analysis		
Instructions: Attempt any 5 out of the 7 questions.				

Question No.		Max. Marks																																																																								
1	<p>The Balance Sheet and P&amp;L of Starlit limited and Moonlit Limited for the Financial year 2023-24 are given below.</p> <p style="text-align: center;"><b>Balance Sheet as on 31.03.2024</b></p> <table> <tr> <th>LIABILITIES AND EQUITY</th><th>Starlit Ltd</th><th>Moonlit Ltd</th></tr> <tr> <td>Equity Share capital (Rs 10 each)</td><td>10,00,000</td><td>16,50,000</td></tr> <tr> <td>Reserves and surplus</td><td>8,65,000</td><td>4,00,000</td></tr> <tr> <td>8% Debentures</td><td>4,00,000</td><td>9,00,000</td></tr> <tr> <td>Trade Payables</td><td>8,00,000</td><td>9,50,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>30,65,000</b></td><td><b>39,00,000</b></td></tr> <tr> <td colspan="3"> </td></tr> <tr> <th>ASSETS</th><th>Starlit Ltd</th><th>Moonlit Ltd</th></tr> <tr> <td>Fixed Assets (net)</td><td>15,95,000</td><td>23,00,000</td></tr> <tr> <td><u>Current Assets</u></td><td></td><td></td></tr> <tr> <td>Cash and Bank</td><td>1,10,000</td><td>2,20,000</td></tr> <tr> <td>Trade Receivables</td><td>2,30,000</td><td>5,30,000</td></tr> <tr> <td>Inventories</td><td>11,30,000</td><td>8,50,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>30,65,000</b></td><td><b>39,00,000</b></td></tr> </table> <p style="text-align: center;"><b>Profit and Loss Account for the year ended 31<sup>st</sup> March 2024</b></p> <table> <tr> <th>Particulars</th><th>Starlit Ltd</th><th>Moonlit Ltd</th></tr> <tr> <td>Net Sales</td><td>55,00,000</td><td>81,00,000</td></tr> <tr> <td>Cost of goods sold</td><td>39,00,000</td><td>63,80,000</td></tr> <tr> <td><b>Gross Profit</b></td><td><b>16,00,000</b></td><td><b>17,20,000</b></td></tr> <tr> <td>Operating expenses</td><td>7,00,000</td><td>7,60,000</td></tr> <tr> <td><b>Profit before interest and tax</b></td><td><b>9,00,000</b></td><td><b>9,60,000</b></td></tr> <tr> <td>Interest</td><td>30,000</td><td>70,000</td></tr> <tr> <td><b>Profit before tax</b></td><td><b>8,70,000</b></td><td><b>8,90,000</b></td></tr> <tr> <td>Tax 35%</td><td>3,04,500</td><td>3,11,500</td></tr> <tr> <td><b>Profit after tax</b></td><td><b>5,65,500</b></td><td><b>5,78,500</b></td></tr> </table>	LIABILITIES AND EQUITY	Starlit Ltd	Moonlit Ltd	Equity Share capital (Rs 10 each)	10,00,000	16,50,000	Reserves and surplus	8,65,000	4,00,000	8% Debentures	4,00,000	9,00,000	Trade Payables	8,00,000	9,50,000	<b>TOTAL</b>	<b>30,65,000</b>	<b>39,00,000</b>				ASSETS	Starlit Ltd	Moonlit Ltd	Fixed Assets (net)	15,95,000	23,00,000	<u>Current Assets</u>			Cash and Bank	1,10,000	2,20,000	Trade Receivables	2,30,000	5,30,000	Inventories	11,30,000	8,50,000	<b>TOTAL</b>	<b>30,65,000</b>	<b>39,00,000</b>	Particulars	Starlit Ltd	Moonlit Ltd	Net Sales	55,00,000	81,00,000	Cost of goods sold	39,00,000	63,80,000	<b>Gross Profit</b>	<b>16,00,000</b>	<b>17,20,000</b>	Operating expenses	7,00,000	7,60,000	<b>Profit before interest and tax</b>	<b>9,00,000</b>	<b>9,60,000</b>	Interest	30,000	70,000	<b>Profit before tax</b>	<b>8,70,000</b>	<b>8,90,000</b>	Tax 35%	3,04,500	3,11,500	<b>Profit after tax</b>	<b>5,65,500</b>	<b>5,78,500</b>	10
LIABILITIES AND EQUITY	Starlit Ltd	Moonlit Ltd																																																																								
Equity Share capital (Rs 10 each)	10,00,000	16,50,000																																																																								
Reserves and surplus	8,65,000	4,00,000																																																																								
8% Debentures	4,00,000	9,00,000																																																																								
Trade Payables	8,00,000	9,50,000																																																																								
<b>TOTAL</b>	<b>30,65,000</b>	<b>39,00,000</b>																																																																								
ASSETS	Starlit Ltd	Moonlit Ltd																																																																								
Fixed Assets (net)	15,95,000	23,00,000																																																																								
<u>Current Assets</u>																																																																										
Cash and Bank	1,10,000	2,20,000																																																																								
Trade Receivables	2,30,000	5,30,000																																																																								
Inventories	11,30,000	8,50,000																																																																								
<b>TOTAL</b>	<b>30,65,000</b>	<b>39,00,000</b>																																																																								
Particulars	Starlit Ltd	Moonlit Ltd																																																																								
Net Sales	55,00,000	81,00,000																																																																								
Cost of goods sold	39,00,000	63,80,000																																																																								
<b>Gross Profit</b>	<b>16,00,000</b>	<b>17,20,000</b>																																																																								
Operating expenses	7,00,000	7,60,000																																																																								
<b>Profit before interest and tax</b>	<b>9,00,000</b>	<b>9,60,000</b>																																																																								
Interest	30,000	70,000																																																																								
<b>Profit before tax</b>	<b>8,70,000</b>	<b>8,90,000</b>																																																																								
Tax 35%	3,04,500	3,11,500																																																																								
<b>Profit after tax</b>	<b>5,65,500</b>	<b>5,78,500</b>																																																																								

	<table><tr><td>Dividends</td><td>90,000</td><td>50,000</td></tr><tr><td>Retained Earnings</td><td>4,75,500</td><td>5,28,500</td></tr></table>	Dividends	90,000	50,000	Retained Earnings	4,75,500	5,28,500																																											
Dividends	90,000	50,000																																																
Retained Earnings	4,75,500	5,28,500																																																
	<p><b>Answer the questions by comparing one or more relevant ratios</b></p> <p>(i) Which company is using Equity shareholders money more profitably (Return on Equity= PAT/Shareholder's funds)</p> <p>(ii) Which company is able to better meet its current debts (Current ratio = Current Assets/Current liabilities) and Quick ratio = Quick assets/Quick liabilities)</p> <p>(iii) Which company's Debentures would you buy and why? (Debt Equity ratio = Long erm debt/Shareholders funds, Interest coverage ratio = EBIT/Interest)</p> <p>(iv) Which company collects receivable faster (Debtors turnover ratio = Sales/Debtors</p> <p>(v) How long does it take for each company to convert Inventory to Sales (Stock turnover ratio = Sales or COGS/Inventory)</p>																																																	
2	<p>Glenwood Heating, Inc. located in Glenwood Springs, Colorado sells small home heating units. The company commenced operations 3 years ago and is presently planning an expansion. The company plans to apply for a term loan. <b>Based on the information given below</b> you are required to</p> <p>i) Classify the following list as Non Current Asset (Long term assets), Current Asset (short term assets), Non Current Liability (long term liability), Current Liability (short term liability), Owner's Equity (Capital), Income, Expenses.</p> <p>ii) After Classification, complete the Income statement and Balance Sheet formats given below. (Hint: Income and expense are tagged to the Income statement. Non Current Asset, Current Asset, Non Current Liability, Current Liability, Owner's Equity are tagged to the Balance sheet)</p> <table><tr><td>Particulars</td><td>Amount in Rs</td><td>Particulars</td><td>Amount in Rs</td></tr><tr><td>Share Capital</td><td>95,000</td><td>Stationery</td><td>2,250</td></tr><tr><td>Plant and Machinery</td><td>47,250</td><td>Accounts receivable</td><td>52,500</td></tr><tr><td>Repairs to Machinery</td><td>9,150</td><td>Accounts payable</td><td>40,650</td></tr><tr><td>Salaries</td><td>48,000</td><td>Commission received</td><td>6,000</td></tr><tr><td>Cash and Bank balance</td><td>3,750</td><td>Inventory</td><td>55,500</td></tr><tr><td>Land and building</td><td>1,04,250</td><td>Electricity</td><td>15,000</td></tr><tr><td>Purchases</td><td>1,80,000</td><td>Rent and taxes</td><td>80,000</td></tr><tr><td>Purchase returns</td><td>3,000</td><td>10% Debentures</td><td>1,02,500</td></tr><tr><td>Revenue from operations</td><td>3,75,000</td><td>Interest on Debentures</td><td>10,250</td></tr><tr><td>Depreciation on Plant and Machinery</td><td>3,700</td><td>Insurance</td><td>2,125</td></tr><tr><td>Depreciation on Building</td><td>11,175</td><td>Discount received</td><td>2,750</td></tr></table> <p><b>Income statement (fill the details)</b></p>	Particulars	Amount in Rs	Particulars	Amount in Rs	Share Capital	95,000	Stationery	2,250	Plant and Machinery	47,250	Accounts receivable	52,500	Repairs to Machinery	9,150	Accounts payable	40,650	Salaries	48,000	Commission received	6,000	Cash and Bank balance	3,750	Inventory	55,500	Land and building	1,04,250	Electricity	15,000	Purchases	1,80,000	Rent and taxes	80,000	Purchase returns	3,000	10% Debentures	1,02,500	Revenue from operations	3,75,000	Interest on Debentures	10,250	Depreciation on Plant and Machinery	3,700	Insurance	2,125	Depreciation on Building	11,175	Discount received	2,750	10
Particulars	Amount in Rs	Particulars	Amount in Rs																																															
Share Capital	95,000	Stationery	2,250																																															
Plant and Machinery	47,250	Accounts receivable	52,500																																															
Repairs to Machinery	9,150	Accounts payable	40,650																																															
Salaries	48,000	Commission received	6,000																																															
Cash and Bank balance	3,750	Inventory	55,500																																															
Land and building	1,04,250	Electricity	15,000																																															
Purchases	1,80,000	Rent and taxes	80,000																																															
Purchase returns	3,000	10% Debentures	1,02,500																																															
Revenue from operations	3,75,000	Interest on Debentures	10,250																																															
Depreciation on Plant and Machinery	3,700	Insurance	2,125																																															
Depreciation on Building	11,175	Discount received	2,750																																															

<b>INCOME</b>			
Revenue from Operations	xxxxxxx		
Other Income	xxxxxxx		
<b>TOTAL INCOME (A)</b>		xxxxxxx	
<b>EXPENSES (list all expenses here)</b>			
	xxxxxxx		
	xxxxxxx		
<b>TOTAL EXPENSES (B)</b>		xxxxxxx	
<b>NET INCOME (A)-(B)</b>		xxxxxxx	
<b>Net Income to be shown in Liabilities under Owner's Equity</b>			
<b>Balance Sheet (Fill the details)</b>			
<b>ASSETS</b>	<b>Amount</b>	<b>Amount</b>	
<u>Non Current Assets (NCA)</u>			
	xxxxxxx		
	xxxxxxx		
<u>Current Assets (CA)</u>			
	xxxxxxx		
	xxxxxxx		
	xxxxxxx		
<b>TOTAL ASSETS (A = NCA+CA)</b>		xxxxxxx	
<b>LIABILITIES</b>			
<u>Owner's Equity (OE)</u>			
	xxxxxxx		
Net Income (from Income statement)	xxxxxxx		
<u>Non Current Liabilities (NCL)</u>			
	xxxxxxx		
<u>Current Liabilities (CL)</u>			
	xxxxxxx		

	<b>TOTAL LIABILITIES</b> <b>(L=OE+NCL+CL)</b>		<b>xxxxxx</b>																			
	<b>(TOTAL ASSETS should be equal to TOTAL LIABILITIES)</b>																					
3	<b>Solve any 2</b>  i) Classifying costs as Variable cost and Fixed cost is an important aspect of CVP analysis. Explain.  ii) Explain Budgetary controls and its stages  iii) How would the current and quick ratios of a service business compare?			10																		
4	<b>Solve any 1, either (i) or (ii)</b>  i) <b>Explain the terms (2 marks each)</b> 1. Shareholder's funds 2. Flexible budget 3. Working capital 4. P/V ratio 5. Margin of safety  <b>OR</b>  ii) <b>Identify in each case if there is a <u>violation or a correct application</u> of Accounting principles and concepts. <u>Which principle is relevant in each instance</u> and <u>explain that principle</u> briefly:- (5 marks each)</b>  <b><u>Accounting Principles to chose from : -</u></b>  <b>Business entity, Full disclosure, Materiality, Consistency, Going concern</b>  a) One of the business partners of a small Engineering firm always charges the expenses of his family vacation to the business firm.  b) At the end of each year, a business owner looks at his estimated net income for the year and decides which depreciation method he will use in an effort to reduce his business income taxes to the lowest amount possible			10																		
5	You are given the following information in respect of products X and Y of Bee Cee Co. Ltd. <table><tr><td><b>Particulars</b></td><td><b>X</b></td><td><b>Y</b></td></tr><tr><td>Selling price per unit</td><td>42</td><td>33</td></tr><tr><td>Direct material per unit</td><td>15</td><td>15</td></tr><tr><td>Labour hours per unit</td><td>18 hours</td><td>9 hours</td></tr><tr><td>Labour cost per unit</td><td>50 paise per labour hour</td><td>50 paise per labour hour</td></tr><tr><td>Variable overheads per unit</td><td>50% of Labour cost</td><td>50% of Labour cost</td></tr></table> Calculate :- i) Contribution per unit of both products ii) P/V ratio of both products iii) If total 1000 labour hours are available, find which product should be produced			<b>Particulars</b>	<b>X</b>	<b>Y</b>	Selling price per unit	42	33	Direct material per unit	15	15	Labour hours per unit	18 hours	9 hours	Labour cost per unit	50 paise per labour hour	50 paise per labour hour	Variable overheads per unit	50% of Labour cost	50% of Labour cost	10
<b>Particulars</b>	<b>X</b>	<b>Y</b>																				
Selling price per unit	42	33																				
Direct material per unit	15	15																				
Labour hours per unit	18 hours	9 hours																				
Labour cost per unit	50 paise per labour hour	50 paise per labour hour																				
Variable overheads per unit	50% of Labour cost	50% of Labour cost																				

6	<p><b>From the following details identify Cash inflow/ Cash Outflow from Operating, Financing, and Investing activities separately.</b></p> <ol style="list-style-type: none"> <li>1. Purchase of Property held as Investment</li> <li>2. Depreciation on Furniture and Equipment</li> <li>3. Sale of Equipment</li> <li>4. Issue of Debentures</li> <li>5. Net Profit before tax</li> <li>6. IPO proceedings received</li> <li>7. Redemption of Preference Shares</li> <li>8. Interest paid on debentures</li> <li>9. Interest received on investment</li> <li>10. Purchase of Machinery</li> </ol>	10
7	<p>Alpha Ltd manufactures a single product for which market demand exists for additional quantity. Present sales of 12,000 units per month utilize only 60% capacity of the plant. The following data are available:-</p> <p>Material cost: Rs.80 per unit</p> <p>Labour cost: Rs 40 per unit</p> <p>Factory overhead : Rs 30 (40% fixed)</p> <p>Admin overhead : Rs 20 (50% fixed)</p> <p>The selling price per unit is Rs 200. If it is decided to work the factory at 70% capacity, the selling price falls by 3% accompanied by a similar fall in the price of material. At 80% capacity, the selling price falls by 5% accompanied by a similar fall in the price of material</p> <p><b>Prepare a statement showing the operating profit at 60%, 70% and 80% levels of capacity utilization.</b></p>	10

-----XXXXXXXXXXXXXXXXXXXX-----