

- Q.3 Prepare Cash Budget for three months ending 31st December, 2018 from the following information of Darshana Limited. Cash balance on 1-10-2018 is Rs. 120000 (15)

Month	Total Sales (Rs.)	Total Purchases (Rs.)	Wages (Rs.)	Overheads (Rs.)
August	400000	180000	40000	100000
September	450000	200000	50000	120000
October	500000	220000	60000	130000
November	550000	240000	70000	150000
December	600000	300000	80000	160000

Additional Informations:

- (1) Assume the proportion of cash sales and credit sales is 1:4.
- (2) Assume 20% of total purchase to be cash purchases.
- (3) Assume 5% of credit sales to be sales return every month.
- (4) 50% of net credit sales are realised in the month following the sales and remaining 50% in the second month following the sales.
- (5) Plant costing Rs. 100000 is due for delivery in October, 2018 payable 10% on delivery and the balance after three months.
- (6) The period of credit allowed by suppliers is one month.
- (7) Overheads include Rs. 10000 depreciation per month on fixed assets.
- (8) The time lag in the payment of wages is 1/4 month and overhead is 1/2 month.

OR

- Q.3 (a) Write note on: (08)
 (i) Credit Policy Variables (ii) Credit Evaluation
 (b) Explain in brief various types of Inventory. (07)

- Q.4 (a) Explain the merits and demerits of Trading on Equity. (06)
 (b) The capital structure of Anand Ltd. is as follows: (09)

Equity Share Capital (Rs. 10 each)	Rs. 1500000
10% Preference Share Capital	Rs. 500000
12% Debentures	Rs. 500000

At present, profit before interest and tax (EBIT) is Rs. 800000 and tax rate is 40%.

The Company intends to raise additional capital of Rs. 1500000 for expansion purpose, for which the company has the following alternatives.

- (1) Entire amount to be raised only through Equity Share Capital (Rs. 10 each)
- (2) Equity Share Capital (Rs. 10 each) and 10% Preference Share Capital in the ratio of 2:1 respectively.
- (3) Equity Share Capital (Rs. 10 each), 10% Preference Share Capital and 12% Debenture in the ratio of 1:1:1 respectively.

Due to expansion, the Operating Profit (EBIT) will increase by 50% on the basis of above, calculate earnings per share for each alternative and suggest the best alternative.

OR

- Q.4 (a) Explain in brief the features of capital structure. (07)
 (b) From the following information available for two companies, calculate operating leverage, financial leverage, combined leverage and earnings per share. (08)

Particulars	A Ltd.	B Ltd.
Selling price per unit (Rs.)	15	20
Variable cost per unit (Rs.)	10	15
Production & Sales (Units)	20000	25000
Fixed Operating Cost (Rs.)	30000	40000
Interest on borrowings (Rs.)	15000	25000
Tax rate (%)	40	40
Number of Equity Shares	5000	9000