

U.S.N.

# B.M.S. College of Engineering, Bengaluru-560019

Autonomous Institute Affiliated to VTU

## July 2023 Semester End Main Examinations

**Programme: B.E.**

**Branch: Institutional Elective**

**Course Code: 21ME8OEFIM**

**Course: Financial Management**

**Semester: VIII**

**Duration: 3 hrs.**

**Max Marks: 100**

**Date: 06.07.2023**

- Instructions:**
1. Answer any FIVE full questions, choosing one full question from each unit.
  2. Missing data, if any, may be suitably assumed.
  3. Use of statistical tables is permitted.
  4. Show all working notes clearly.

Important Note: Completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages. Revealing of identification, appeal to evaluator will be treated as malpractice.

|             |            | UNIT – I  | CO         | PO  | Marks      |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|-------------|------------|---|------------|-----|------------|--|-------------|------------|-------------|------------|------|---|------|---|------|----|------|---|------|----|------|----|------|----|------|----|------|----|------|----|------|----|------|----|-----|-----|----|
| 1           | a)         | The possible returns and associated probabilities of Securities X and Y are given below. Calculate the Expected Return and Standard Deviation of Security X and Y. <table><tr><th colspan="2">Security X</th><th colspan="2">Security Y</th></tr><tr><th>Probability</th><th>Return (%)</th><th>Probability</th><th>Return (%)</th></tr><tr><td>0.05</td><td>6</td><td>0.10</td><td>5</td></tr><tr><td>0.15</td><td>10</td><td>0.20</td><td>8</td></tr><tr><td>0.40</td><td>15</td><td>0.30</td><td>12</td></tr><tr><td>0.25</td><td>18</td><td>0.25</td><td>15</td></tr><tr><td>0.10</td><td>20</td><td>0.10</td><td>18</td></tr><tr><td>0.05</td><td>24</td><td>0.05</td><td>20</td></tr></table> | Security X |     | Security Y |  | Probability | Return (%) | Probability | Return (%) | 0.05 | 6 | 0.10 | 5 | 0.15 | 10 | 0.20 | 8 | 0.40 | 15 | 0.30 | 12 | 0.25 | 18 | 0.25 | 15 | 0.10 | 20 | 0.10 | 18 | 0.05 | 24 | 0.05 | 20 | CO1 | PO2 | 08 |
| Security X  |            | Security Y  |            |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| Probability | Return (%) | Probability   | Return (%) |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 0.05        | 6          | 0.10  | 5          |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 0.15        | 10         | 0.20  | 8          |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 0.40        | 15         | 0.30  | 12         |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 0.25        | 18         | 0.25  | 15         |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 0.10        | 20         | 0.10  | 18         |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 0.05        | 24         | 0.05  | 20         |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|             | b)         | What is an organization? Explain in detail, different forms of organization.  | CO1        | PO1 | 12         |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|             |            | OR  |            |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 2           | a)         | Find the compound interest on Rs. 2,500 for 15 months at 8% compounded quarterly.   | CO1        | PO1 | 05         |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|             | b)         | Mr. Y is depositing Rs. 8,000 annually for 4 years, in a Post Office savings bank account at an interest rate of 5% per annum. Find the Present Value of annuity.   | CO1        | PO2 | 05         |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|             | c)         | What is risk? What are the major sources of risk?   | CO1        | PO1 | 10         |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|             |            | UNIT - II   |            |     |            |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
| 3           | a)         | What are Preference Shares? Explain its features.   | CO2        | PO1 | 10         |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |
|             | b)         | AB Ltd., desires to purchase a business and has consulted you, and one point on which you are asked to advise them, is average amount of working Capital which is required in the first year's working. You are given with the following estimates and are instructed to add 10%  | CO2        | PO2 | 10         |  |             |            |             |            |      |   |      |   |      |    |      |   |      |    |      |    |      |    |      |    |      |    |      |    |      |    |      |    |     |     |    |

|  |             | to your computed figure to allow for contingencies. Calculate the average amount of Working Capital.   |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
|--|-------------|--|-------------|-------------|--|--|---------------------------|-----------|-------------------------------|-------|---|----|-------------------------------|----------|---------------------------------|--------|--|--|------------------|----------|--------------------------------|--------|------------------------------|--------|---------------------------|--------|--------------------|-------|------------------------------------|--------|-------------------------|--|---|-------|---|--------|--|--|--|
|  |             | <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>i. Average amount backed for stocks:</td><td></td></tr><tr><td>    Stock of finished Product</td><td>Rs. 5,000</td></tr><tr><td>    Stock of stores and materials</td><td>8,000</td></tr><tr><td>ii. Average credit given:</td><td></td></tr><tr><td>    Inland sales, 6 weeks' credit</td><td>3,12,000</td></tr><tr><td>    Export sales, 1.5 weeks' credit</td><td>78,000</td></tr><tr><td>iii. Average time lag on payment of wages and other outgoings:</td><td></td></tr><tr><td>    Wages, 1.5 weeks</td><td>2,60,000</td></tr><tr><td>    Stock and material, 1.5 months</td><td>48,000</td></tr><tr><td>    Rent and Royalties, 6 months</td><td>10,000</td></tr><tr><td>    Clerical Staff, 0.5 month</td><td>62,400</td></tr><tr><td>    Manager, 0.5 month</td><td>4,800</td></tr><tr><td>    Miscellaneous Expenses, 1.5 months</td><td>48,000</td></tr><tr><td>iv. Payment in advance:</td><td></td></tr><tr><td>    Sundry Expenses (Paid quarterly in advance)</td><td>8,000</td></tr><tr><td>    Undrawn profits on an average throughout the year</td><td>11,000</td></tr></table>   | Particulars | Amount      | i. Average amount backed for stocks:   |  | Stock of finished Product | Rs. 5,000 | Stock of stores and materials | 8,000 | ii. Average credit given:                     |    | Inland sales, 6 weeks' credit | 3,12,000 | Export sales, 1.5 weeks' credit | 78,000 | iii. Average time lag on payment of wages and other outgoings: |  | Wages, 1.5 weeks | 2,60,000 | Stock and material, 1.5 months | 48,000 | Rent and Royalties, 6 months | 10,000 | Clerical Staff, 0.5 month | 62,400 | Manager, 0.5 month | 4,800 | Miscellaneous Expenses, 1.5 months | 48,000 | iv. Payment in advance: |  | Sundry Expenses (Paid quarterly in advance) | 8,000 | Undrawn profits on an average throughout the year | 11,000 |  |  |  |
| Particulars  | Amount      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| i. Average amount backed for stocks:                           |             |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Stock of finished Product                                      | Rs. 5,000   |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Stock of stores and materials                                  | 8,000       |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| ii. Average credit given:                                      |             |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Inland sales, 6 weeks' credit                                  | 3,12,000    |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Export sales, 1.5 weeks' credit                                | 78,000      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| iii. Average time lag on payment of wages and other outgoings: |             |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Wages, 1.5 weeks   | 2,60,000    |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Stock and material, 1.5 months                                 | 48,000      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Rent and Royalties, 6 months                                   | 10,000      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Clerical Staff, 0.5 month                                      | 62,400      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Manager, 0.5 month   | 4,800       |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Miscellaneous Expenses, 1.5 months                             | 48,000      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| iv. Payment in advance:  |             |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Sundry Expenses (Paid quarterly in advance)                    | 8,000       |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Undrawn profits on an average throughout the year              | 11,000      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
|  |             | <b>OR</b>  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| 4  | a)          | What are Debentures? Explain the salient features of Debentures.   | CO3         | PO1         | 10                                     |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
|  | b)          | <p>While preparing a project report on behalf of a client you have collected the following facts. Estimate the net working capital required for the project. Add 10% to your computed figure to allow for contingencies:</p> <table><tr><th>Particulars</th><th>Amount/unit</th></tr><tr><td>Estimated cost per unit of production:</td><td></td></tr><tr><td>    • Raw Material</td><td>Rs. 80</td></tr><tr><td>    • Direct Labour</td><td>30</td></tr><tr><td>    • Overheads (exclusive of deprecation Rs. 10)</td><td>60</td></tr><tr><td>Total Cash cost</td><td>Rs. 170</td></tr></table> <p>Additional Information: (Assume 52 weeks a year)</p> <ul style="list-style-type: none"><li>• Selling price: Rs. 200 per unit</li><li>• Level of activity: 1,04,000 units of production per annum</li><li>• Raw Material in stock: Average 4 weeks</li><li>• Work-In-Progress (Assume 50% completion stage for conversion costs and 100% completion in respect of materials): average 2 weeks.</li><li>• Finished goods in stock: Average 4 weeks</li><li>• Credit allowed by suppliers: Average 8 weeks</li><li>• Lag in payment of wages: Average 1.5 weeks</li><li>• Cash at bank is expected to be Rs. 25,000</li></ul> <p>You may assume that the production is carried evenly throughout the year and wages and overheads accrue similarly. All sales are on credit basis only.</p> | Particulars | Amount/unit | Estimated cost per unit of production: |  | • Raw Material            | Rs. 80    | • Direct Labour               | 30    | • Overheads (exclusive of deprecation Rs. 10) | 60 | Total Cash cost               | Rs. 170  | CO3                             | PO2    | 10   |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Particulars  | Amount/unit |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Estimated cost per unit of production:                         |             |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| • Raw Material   | Rs. 80      |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| • Direct Labour  | 30          |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| • Overheads (exclusive of deprecation Rs. 10)                  | 60          |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |
| Total Cash cost  | Rs. 170     |  |             |             |  |  |                           |           |                               |       |   |    |                               |          |                                 |        |  |  |                  |          |                                |        |                              |        |                           |        |                    |       |                                    |        |                         |  |   |       |   |        |  |  |  |

|  |        |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|--|--------|--|---------|------|--|--------|--|--------|--------------|--------|----------------------|-------|-----------|--------|-----------------------------------|------|------------------------------------|--------|---------------------------|--------|-----------------------------------|--------|-----------------------|--------|-----------------------|-------|-------------------|-------|---------------|-------|-----------------------|-------|--------------------------------|-------|---|-------|--|--------|------------------|--------|----------------|------|--|--|--|
|  |        | UNIT - III   |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| 5  | a)     | Differentiate Single Entry and Double Entry method of Book-keeping.  |         | CO4  | PO1  | 04     |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  | b)     | Explain Golden Rule for Accounting.  |         | CO4  | PO1  | 06     |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  | c)     | From the following ledger balances, prepare Trail Balance:   |         | CO4  | PO2  | 10     |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  |        | <table><tr><td>Capital</td><td>5000</td><td>Bad debts</td><td>250</td></tr><tr><td>Cash in hand</td><td>750</td><td>Debtors</td><td>2500</td></tr><tr><td>Bank Overdraft at 2%</td><td>1000</td><td>Creditors</td><td>925</td></tr><tr><td>Purchases</td><td>6000</td><td>Commission received</td><td>400</td></tr><tr><td>Purchases Returns</td><td>1000</td><td>Investments</td><td>2000</td></tr><tr><td>Sales</td><td>7500</td><td>Opening stock</td><td>1500</td></tr><tr><td>Sales Returns</td><td>500</td><td>Drawings</td><td>775</td></tr><tr><td>Establishment charges</td><td>1250</td><td>Furniture</td><td>300</td></tr><tr><td>Taxes &amp; Insurance</td><td>250</td><td>Bills Receivables</td><td>1500</td></tr><tr><td>Bad Debt Reserve</td><td>500</td><td>Bills Payables</td><td>1250</td></tr></table>  | Capital | 5000 | Bad debts  | 250    | Cash in hand   | 750    | Debtors      | 2500   | Bank Overdraft at 2% | 1000  | Creditors | 925    | Purchases                         | 6000 | Commission received                | 400    | Purchases Returns         | 1000   | Investments                       | 2000   | Sales                 | 7500   | Opening stock         | 1500  | Sales Returns     | 500   | Drawings      | 775   | Establishment charges | 1250  | Furniture                      | 300   | Taxes & Insurance                                     | 250   | Bills Receivables                                      | 1500   | Bad Debt Reserve | 500    | Bills Payables | 1250 |  |  |  |
| Capital  | 5000   | Bad debts  | 250     |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Cash in hand   | 750    | Debtors  | 2500    |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Bank Overdraft at 2%                                   | 1000   | Creditors  | 925     |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Purchases  | 6000   | Commission received  | 400     |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Purchases Returns                                      | 1000   | Investments  | 2000    |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Sales  | 7500   | Opening stock  | 1500    |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Sales Returns  | 500    | Drawings   | 775     |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Establishment charges                                  | 1250   | Furniture  | 300     |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Taxes & Insurance                                      | 250    | Bills Receivables  | 1500    |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Bad Debt Reserve                                       | 500    | Bills Payables   | 1250    |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  |        | UNIT – IV  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| 6  | a)     | What is Costing? Explain in detail, any four methods of costing.   |         | CO5  | PO1  | 10     |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  | b)     | The PET Chemicals Company supplies you the following details from its cost records. Prepare a cost sheet with breakup of cost and profit:  |         | CO5  | PO2  | 10     |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  |        | <table><tr><td></td><td>Rs.</td></tr><tr><td>Stock of raw materials on 1<sup>st</sup> Sept. 2020</td><td>75,000</td></tr><tr><td>Stock of raw material on 30<sup>th</sup> Sept. 2020</td><td>91,500</td></tr><tr><td>Direct wages</td><td>52,500</td></tr><tr><td>Indirect wages</td><td>2,750</td></tr><tr><td>Sales</td><td>2,00,0</td></tr><tr><td>WIP on 1<sup>st</sup> Sept. 2020</td><td>00</td></tr><tr><td>WIP on 30<sup>th</sup> Sept. 2020</td><td>28,000</td></tr><tr><td>Purchase of raw materials</td><td>35,000</td></tr><tr><td>Factory rent, rates and Machinery</td><td>66,000</td></tr><tr><td>Depreciation on Plant</td><td>15,000</td></tr><tr><td>Expenses on purchases</td><td>3,500</td></tr><tr><td>Carriage outwards</td><td>1,500</td></tr><tr><td>Advertisement</td><td>1,000</td></tr><tr><td>Office rent &amp; Taxes</td><td>5,000</td></tr><tr><td>Travelers wages and commission</td><td>2,500</td></tr><tr><td>Stock of Finished goods on 1<sup>st</sup> Sept. 2020</td><td>6,500</td></tr><tr><td>Stock of Finished goods on 30<sup>th</sup> Sept. 2020</td><td>54,000</td></tr><tr><td></td><td>31,000</td></tr></table> |         | Rs.  | Stock of raw materials on 1 <sup>st</sup> Sept. 2020 | 75,000 | Stock of raw material on 30 <sup>th</sup> Sept. 2020 | 91,500 | Direct wages | 52,500 | Indirect wages       | 2,750 | Sales     | 2,00,0 | WIP on 1 <sup>st</sup> Sept. 2020 | 00   | WIP on 30 <sup>th</sup> Sept. 2020 | 28,000 | Purchase of raw materials | 35,000 | Factory rent, rates and Machinery | 66,000 | Depreciation on Plant | 15,000 | Expenses on purchases | 3,500 | Carriage outwards | 1,500 | Advertisement | 1,000 | Office rent & Taxes   | 5,000 | Travelers wages and commission | 2,500 | Stock of Finished goods on 1 <sup>st</sup> Sept. 2020 | 6,500 | Stock of Finished goods on 30 <sup>th</sup> Sept. 2020 | 54,000 |                  | 31,000 |                |      |  |  |  |
|  | Rs.    |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Stock of raw materials on 1 <sup>st</sup> Sept. 2020   | 75,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Stock of raw material on 30 <sup>th</sup> Sept. 2020   | 91,500 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Direct wages   | 52,500 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Indirect wages   | 2,750  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Sales  | 2,00,0 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| WIP on 1 <sup>st</sup> Sept. 2020                      | 00     |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| WIP on 30 <sup>th</sup> Sept. 2020                     | 28,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Purchase of raw materials                              | 35,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Factory rent, rates and Machinery                      | 66,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Depreciation on Plant                                  | 15,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Expenses on purchases                                  | 3,500  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Carriage outwards                                      | 1,500  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Advertisement  | 1,000  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Office rent & Taxes                                    | 5,000  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Travelers wages and commission                         | 2,500  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Stock of Finished goods on 1 <sup>st</sup> Sept. 2020  | 6,500  |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
| Stock of Finished goods on 30 <sup>th</sup> Sept. 2020 | 54,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |
|  | 31,000 |  |         |      |  |        |  |        |              |        |                      |       |           |        |                                   |      |                                    |        |                           |        |                                   |        |                       |        |                       |       |                   |       |               |       |                       |       |                                |       |   |       |  |        |                  |        |                |      |  |  |  |

| UNIT - V |                 |   |           |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
|----------|-----------------|---|-----------|-----------------|---------------------|-----------|----|----|----|----|-----|----|----|----|------|----|----|----|-----|----|----|----|----|----|----|----|-----|-----|----|
| 7        | a)              | What are Bonus shares? How do they differ from Stock Splits?  | CO6       | PO1             | 03                  |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
|          | b)              | Explain in detail, any 7 factors determining the Dividend Policy of a firm.   | CO6       | PO1             | 07                  |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
|          | c)              | Beta Constructions Ltd. has given you the following information. $r = 0.12$ , $E = \text{Rs. } 20$ . Assuming Gordon's Model, determine the value of the shares. <table border="1"><thead><tr><th></th><th>D/P Ratio (1-b)</th><th>Retention Ratio (b)</th><th><math>K_e</math> (%)</th></tr></thead><tbody><tr><td>i.</td><td>10</td><td>90</td><td>20</td></tr><tr><td>ii.</td><td>20</td><td>80</td><td>19</td></tr><tr><td>iii.</td><td>30</td><td>70</td><td>18</td></tr><tr><td>iv.</td><td>40</td><td>60</td><td>17</td></tr><tr><td>v.</td><td>50</td><td>50</td><td>16</td></tr></tbody></table> |           | D/P Ratio (1-b) | Retention Ratio (b) | $K_e$ (%) | i. | 10 | 90 | 20 | ii. | 20 | 80 | 19 | iii. | 30 | 70 | 18 | iv. | 40 | 60 | 17 | v. | 50 | 50 | 16 | CO6 | PO2 | 10 |
|          | D/P Ratio (1-b) | Retention Ratio (b)   | $K_e$ (%) |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
| i.       | 10              | 90  | 20        |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
| ii.      | 20              | 80  | 19        |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
| iii.     | 30              | 70  | 18        |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
| iv.      | 40              | 60  | 17        |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |
| v.       | 50              | 50  | 16        |                 |                     |           |    |    |    |    |     |    |    |    |      |    |    |    |     |    |    |    |    |    |    |    |     |     |    |

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