

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -2 EXAMINATIONS-2022

B.Tech-IV Semester (All Branches)

COURSE CODE: 18B11HS411

MAX. MARKS: 25

COURSE NAME: Finance & Accounts

COURSE CREDITS: 03

MAX. TIME: 1 Hour 30 Min

Note: All questions are compulsory. Marks are indicated against each question in square brackets.

Q1. Calculate the values of the following ratios from information given below:

- a) Acid test ratio (b) Gross Profit margin (c) Interest coverage ratio (d) Debt to Equity ratio
(e) Earnings per share (f) Price earning multiplier (g) Return on Equity

Income Statement For the year ended March 31, 2019		Balance Sheet as on 31 st March, 2019			
	Rs.	Liabilities	Rs.	Assets	Rs.
Net Sales	43,58,100	Equity Share capital @ Rs 2 per share	2,00,00,000	Fixed Assets	1,75,00,000
Less: Cost of Goods Sold	27,38,714	Retained Earnings	95,00,000	Closing Stock	70,00,000
Gross Profit	16,19,386	Term Loan @12%	50,00,000	Sundry Debtors	90,00,000
Less: Operating Expenses	8,54,159	10% Debentures	1,00,00,000	Bills Receivable	95,00,000
Operating Profit	7,65,227	Sundry Creditors	20,00,000	Bank Balance	35,00,000
Less: Non operating loss	6,176	Bills Payable	10,00,000	Cash	10,00,000
EBIT	7,59,051		<u>4,75,00,000</u>		<u>4,75,00,000</u>
Less: Interest	18,177	Current Market price of Equity Share: Rs.20			
EBT	7,40,874				
Tax	2,57,642				
Profit After Tax (PAT)	4,83,232				

[7]

Q2. Why is wealth maximization considered a better objective of financial management as compared to profit maximization? What does limited liability mean and which type of organization is it relevant for?

[2+1]

Q3. A company executive has been assigned the task of evaluating and recommending which of the three projects under consideration should be selected. How can the finance department help in this decision? Which of the four basic decisions in finance does this fall under?

[2+1]

Q4. How can the voting system adopted by a company increase the influence of the small shareholder?

[2]

Q5. A company issues 12% Fully Convertible Debentures for 10 years of the value of Rs 150 crores to be redeemed at a premium of 5%. Does it need to create and maintain a Debenture Redemption Reserve (DRR)? How much cash will the company need to arrange for redemption?

[2]

Q6. Explain three main disadvantages of using term loan as a source of finance.

[3]

Q7. Answer the following in one or two lines.

- a) The annual installment of depreciation remains equal every year under which method of depreciation? Explain briefly.
- b) What is the rule for journal entry of personal accounts?
- c) What is the meaning of "Sundry Creditors" and what type of account are they?
- d) Why does cash account always have a debit balance?
- e) Why should the two sides of the Balance Sheet be always equal?

[5]