CA Nitin Guru

Subject- **Financial Management - By CA NITIN GURU**

Mock Test – 7

Ratio Analysis; Cost of Capital; Capital Structure

Time: 1 Hour M.M. – 25 Marks

Instructions-

1. This is a self paced test series, where you can do the test anytime after you complete your chapter and attempt the test and email it to us for checking or self evaluation with help of the solution set provided. For video solutions and test paper to be checked please email us at email id provided below.
2. Answer Sheet is in a single pdf format.
3. First Sheet contains all the information- Name, Registered Email id, Registered Mobile No., Test Number with Subject, website name through which you are watching our class..
4. NO late submission will be entertained.
5. NO answer sheet will be accepted over a chat box or telegram or any other mode other than email.
6. Test solutions should be emailed to test.canitinguru@gmail.com
7. Please give us at least 10 working days time to check and send back your test copy.
8. Sir, will record test paper discussion video as well, which you can watch and clarify your doubts if you have any. Solution videos will be available on youtube and please join our telegram channel @canitinguru to be updated with any announcement about test discussion.

Question 1. **[5 Marks]**

Following figures and ratios are related to a company Q Ltd.:

(i)	**Sales for the year (all credit)**	**Rs 30,00,000**
(ii)	**Gross Profit ratio**	**25 per cent**
(iii)	**Fixed assets turnover (based on cost of goods sold)**	**1.5**
(iv)	**Stock turnover (based on cost of goods sold)**	**6**
(v)	**Liquid ratio**	**1 : 1**
(vi)	**Current ratio**	**1. 5 : 1**
(vii)	**Receivables (Debtors) collection period**	**2 months**
(viii)	**Reserves and surplus to share capital**	**0.6 : 1**
(ix)	**Capital gearing ratio**	**0.5**
(x)	**Fixed assets to net worth**	**1.20 : 1**

You are required to calculate :

Closing stock, Fixed Assets, Current Assets, Debtors and Net worth.

Question 2. **[10 Marks]**

TT Ltd. issued 20,000, 10% convertible debenture of Rs 100 each with a maturity period of 5 years. At maturity the debenture holders will have the option to convert debentures into equity shares of the company in ratio of 1:5 (5 shares for each debenture). The current market price of the equity share is Rs 20 each and historically the growth rate of the share is 4% per annum. Assuming tax rate is 25%. Compute the cost of 10% convertible debenture using Approximation Method and Internal Rate of Return Method.

PV Factor is as under:

Year	1	2	3	4	5
PV Factor @ 10%	0.909	0.826	0.751	0.683	0.621
PV Factor @ 15%	0.870	0.756	0.658	0.572	0.497

Question 3. **[10 Marks]**

Xylo Ltd. is considering two alternative financing plans as follows:

Particulars	Plan – A (Rs)	Plan – B (Rs)
Equity shares of Rs 10 each	8,00,000	8,00,000
Preference Shares of Rs 100 each	-	4,00,000
12% Debentures	4,00,000	-
	12,00,000	12,00,000

The indifference point between the plans is Rs 4,80,000. Corporate tax rate is 30%. CALCULATE the rate of dividend on preference shares.