

CA Nitin Guru

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

Mock Test – 2

Financing Decisions – Leverages & Ratio Analysis

Time: 40 Minutes

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](https://t.me/canitinguru) to be updated with any announcement about test discussion.

Question 1.

[10 Marks]

The following information is related to YZ Company Ltd. for the year ended 31st March, 2020:

Equity share capital (of ₹ 10 each)	₹ 50 lakhs
12% Bonds of ₹ 1,000 each	₹ 37 lakhs
Sales	₹ 84 lakhs
Fixed cost (excluding interest)	₹ 6.96 lakhs
Financial leverage	1.49
Profit-volume Ratio	27.55%
Income Tax Applicable	40%

You are required to CALCULATE:

- Operating Leverage;
- Combined leverage; and
- Earnings per share.

Show calculations up-to two decimal points.

Question 2.

10 Marks

Masco Ltd. has furnished the following ratios and information relating to the year ended 31st March 2021 :

Sales	Rs 75,00,000
Return on net worth	25%
Rate of income tax	50%
Share capital to reserves	6:4
Current ratio	2.5
Net profit to sales (After Income tax)	6.50%
Inventory turnover (based on cost of goods sold)	12
Cost of goods sold	Rs 22,50,000
Interest on debentures	Rs 75,000
Receivables (includes debtors Rs 1,25,000)	Rs 2,00,000
Payables	Rs 2,50,000
Bank overdraft	Rs 1,50,000

You are required to :

- Calculate the operating expenses for the year ended 31st March, 2021.
- Prepare a balance sheet as on 31st March in the following format :

Liabilities	Rs	Assets	Rs
Share capital		Fixed Assets	
Reserves & Surplus		Current Assets	
15% Debentures		Stock	
Payables		Receivables	
Bank Term Loan		Cash	

Question 3.

[05 Marks]

Following information relates to RM Co. Ltd.

	(₹)
Total Assets employed	10,00,000
Direct Cost	5,50,000
Other Operating Cost	90,000

Goods are sold to the customers at 150% of direct costs.
50% of the assets being financed by borrowed capital at an interest cost of 8% per annum.
Tax rate is 30%.

You are required to calculate :

- (i) Net profit margin
- (ii) Return on Assets
- (iii) Asset turnover
- (iv) Return on owners' equity