

CA Nitin Guru

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

Mock Test – 6

Dividend Decisions, Management of Working Capital

Time: 1 Hour

M.M. – 20 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]

Aakash Ltd. has 10 lakh equity shares outstanding at the start of the accounting year 2021. The existing market price per share is Rs 150. Expected dividend is Rs 8 per share. The rate of capitalization appropriate to the risk class to which the company belongs is 10%.

- (i) Calculate the market price per share when expected dividends are: (a) declared, and (b) not declared, based on the Miller – Modigliani approach.
- (ii) Calculate number of shares to be issued by the company at the end of the accounting year on the assumption that the net income for the year is Rs 3 Crores; investment budget is Rs 6 Crores, when (a) Dividends are declared, and (b) Dividends are not declared.
- (iii) Proof that the market value of the shares at the end of the accounting year will remain unchanged irrespective of whether (a) Dividends are declared, or (ii) Dividends are not declared.

Question 2.

10 Marks

Prepare monthly cash budget for the first six months of 2021 on the basis of the following information:

- (i) Actual and estimated monthly sales are as follows:

Actual	(Rs.)	Estimated	(Rs.)
October 2020	2,00,000	January 2021	60,000
November 2020	2,20,000	February 2021	80,000
December 2020	2,40,000	March 2021	1,00,000
		April 2021	1,20,000
		May 2021	80,000
		June 2021	60,000
		July 2021	1,20,000

- (ii) Operating Expenses (including salary & wages) are estimated to be payable as follows:

Month	(Rs.)	Month	(Rs.)
January 2021	22,000	April 2021	30,000
February 2021	25,000	May 2021	25,000
March 2021	30,000	June 2021	24,000

- (iii) Of the sales, 75% is on credit and 25% for cash. 60% of the credit sales are collected after one month, 30% after two months and 10% after three months.
- (iv) Purchases amount to 80% of sales and are made on credit and paid for in the month preceding the sales.
- (v) The firm has 12% debentures of Rs 1,00,000. Interest on these has to be paid quarterly in January, April and so on.
- (vi) The firm is to make an advance payment of tax of Rs. 5,000 in April.
- (vii) The firm had a cash balance of Rs. 40,000 at 31st Dec. 2020, which is the minimum desired level of cash balance. Any cash surplus/deficit above/below this level is made up by temporary investments/liquidation of temporary investments or temporary borrowings at the end of each month (interest on these to be ignored).