LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

U.G. DEGREE EXAMINATION – **ALLIED**

SECOND SEMESTER – **APRIL 2025**

UCO2AR02 – INTRODUCTION TO FINANCIAL DECISIONS IN BUSINESS

Date: 05-05-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

SECTION A - K1 & K2 (CO1)

Q. No	Levels	Answer ALL the Questions (10 x 2 = 20)
1	K1	State any two objectives of financial statements.
2		List out the different types of ratios.
3		**Choose the correct answers:** a) Depreciation on factory building is a part of __________ (i) Prime Cost (ii) Factory overheads (iii) Office overheads (iv) Selling overheads b) Warehouse rent is a part of ___________ (i) Prime Cost (ii) Factory overheads (iii) Office overheads (iv) Selling overheads
4		Distinguish between Fixed cost and Variable cost.
5		**True or False:** a) Make or buy decisions are only influenced by financial factors and do not consider factors such as quality or production capacity b) Export decisions typically focus on increasing domestic production capacity and reducing domestic sales to focus solely on international markets.
6	K2	Indicate the common size of the following items in a common size balance sheet: (see table below)
7		Calculate Inventory turnover ratio from the following information: (see table below)
8		Calculate Profit from the following information: a) Cost of sales - ₹4,00,000 b) Profit is 20% on selling price.
9		From the following particulars, find out Fixed cost: (see table below)
10		Suggest the most profitable product mix, assuming power as the key factor. (see table below) Due to power shortage, power allocated to this factory is 10,000 units.

Q6:

Particulars	2023 (₹)	2024 (₹)
Total Assets	20,00,000	24,00,000
Fixed Assets	8,00,000	12,00,000
Inventories	4,00,000	6,00,000

Q7:

Opening inventory	₹40,000
Closing inventory	₹44,000
Sales	₹4,15,000
Gross profit ratio	20%

Q9:

Particulars	₹
Sales	10,00,000
Variable cost	7,00,000
Loss	1,00,000

Q10:

Particulars	Product I (₹)	Product II (₹)
Sales	1,60,000	2,00,000
Variable cost	1,20,000	1,40,000
Power (Units)	4,000	8,000

SECTION B – K3 & K4 (CO2)

Answer ALL the Questions **(4 x 10 = 40)**

11 Bring out the objectives in analysing and interpreting financial statements.

[OR]

12 K3 An automobile manufacturing company finds that the cost of making Part No. 208 in its own workshop is ₹6. The same part is available in the market at ₹5.60 with an assurance of continuous supply. The cost data to make the part are:

Particulars	₹
Material	2
Direct Labour	2.50
Other variable costs	0.50
Fixed cost allocated	1
	6

(a) Should the part be made or bought?
(b) Will your answer be different if the market price is ₹ 4.60?
Show your calculations clearly.

13 From the following information show the results of operations of a manufacturing concern using trend percentages with 2024 as base year

Particulars	(₹ in '000s)			
	2024	**2023**	**2022**	**2021**
Sales	1,300	1,200	950	1,000
Less: Cost of goods sold	728	696	589	600
Gross Profit	572	504	361	400
Less: Total selling expenses	120	110	97	100
Net Operating Profit	452	394	264	300

[OR]

14 M/s Indu Industries Ltd., are the manufacturers of Sunlight Torches. The following data relate to manufacture of torches during the month of March 2024.

Raw materials consumed	₹20,000
Direct wages	₹12,000
Machine hours worked	9,500 hours
Machine hour rate	₹2
Office overheads	20% of works cost
Selling overheads	50 paise per unit
Units produced	20,000 units
Units sold	18,000 @ ₹5 per unit

Prepare cost sheet showing the cost and the profit per unit and the total profit earned.

15 Following is the Trading & Profit & Loss Account of a company for the year ended 31.12.2024

Particulars	₹	Particulars	₹
To Opening Stock	1,00,000	By Sales	5,60,000
To Purchases	3,50,000	By Closing Stock	1,00,000
To Wages	9,000		
To Gross Profit c/d	2,01,000		
	6,60,000		**6,60,000**
To Administration expenses	20,000	By Gross Profit b/d	2,01,000
To Selling expenses	89,000	By Interest on investments (Outside business)	10,000
To Non – Operating expenses	30,000	By Profit on sale of investments	8,000
To Net profit	80,000		
	2,19,000		**2,19,000**

Calculate (a) Gross profit ratio (b) Net Profit ratio

[OR]

16		Analyze the different classification of cost involved in a manufacturing company.
17	K4	From the following information relating to Palani Bros Ltd., Calculate (a) P/V Ratio (b) Profit (c) Break even point (d) Margin of safety

Particulars	₹
Total Fixed cost	9,000
Total Variable cost	15,000
Total Sales	30,000

[OR]

18 Following information has been made available from the cost records of Rizwan Automobile Ltd., manufacturing spare parts:

Direct Material	
X	₹ 8 per unit
Y	₹ 6 per unit
Direct Wages	
X	24 hours @ 25 ps per hour
Y	16 hours @ 25 ps per hour
Variable overheads 150% of direct wages	
Fixed Overheads (total)	₹ 750
Selling price	
X	₹ 25
Y	₹ 20

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mix in the budget for the next period.

(a) 250 units of X and 250 units of Y
(b) 400 units of Y only

SECTION C – K5 & K6 (CO3)

Answer ALL the Questions **(2 x 20 = 40)**

19 K5 Prepare Comparative Income Statement and balance sheet of Galaxy Ltd. for the years ending 31st March 2023 and 2024 based on the following information.

Income Statement

Particulars	31.03.2023 (₹)	31.03.2024 (₹)
Net Sales	20,00,000	24,00,000
Cost of goods sold	11,00,000	12,10,000
Operating expenses:		
Administration	1,60,000	2,00,000
Selling	1,20,000	1,60,000
Non – Operating expenses:		
Interest	80,000	1,00,000
Income tax	1,00,000	1,60,000

Balance Sheets

Liabilities	31.03.2023 (₹)	31.03.2024 (₹)	Assets	31.03.2023 (₹)	31.03.2024 (₹)
Equity Share Capital	80,000	80,000	Land & Buildings	80,000	74,000
8% Debentures	80,000	90,000	Plant & Machinery	60,000	54,000
Retained Earnings	40,000	49,000	Furniture	20,000	28,000
Sundry Creditors	50,000	70,000	Inventory	40,000	60,000
Bills Payable	10,000	15,000	Debtors	40,000	80,000
			Cash	20,000	8,000
	2,60,000	**3,04,000**		**2,60,000**	**3,04,000**

[OR]

20 The following details have been obtained from the cost records of Rahim Ltd.

Particulars	₹
Stock of raw materials on 1st Dec. 2010	75,000
Stock of raw materials on 31st Dec. 2010	91,500
Direct wages	52,500
Indirect wages	2,750
Sales	2,11,000
Work-in-progress 1st Dec. 2010	28,000
Work-in-progress 31st Dec. 2010	35,000
Purchases of raw materials	66,000
Factory rent, rates and power	15,000
Depreciation of plant and machinery	3,500
Expenses on purchases	1,500
Carriage outwards	2,500
Advertising	3,500
Office rent and taxes	2,500
Traveller's wages and commission	6,500
Stock of finished goods (1st Dec. 2010)	54,000
Stock of finished goods (31st Dec. 2010)	31,000

Prepare a Cost sheet giving the maximum possible breakup of costs and profit.

21 K6 From the following balance sheet of Ahmed Ltd., as on 31.03.2024. Compute (a) Current Ratio (b) Liquid Ratio (c) Absolute Liquidity ratio (d) Debt – Equity ratio (e) Proprietary ratio

Liabilities	₹	Assets	₹
Equity Share Capital	2,00,000	Fixed Assets	3,60,000
9% Preference Share Capital	1,00,000	Stock	50,000
8% Debentures	1,00,000	Debtors	1,10,000
Profit & Loss A/c	40,000	Bills Receivable	6,000
Creditors	90,000	Bank balance	4,000
	5,30,000		**5,30,000**

[OR]

22 Assuming that the cost structure and selling prices remain the same in periods I and II, find out

(a) Profit Volume ratio
(b) Fixed cost
(c) Breakeven point for sales
(d) Profit when sales are ₹ 1,00,000
(e) Sales required to earn a profit of ₹ 20,000
(f) Margin of safety at a profit of ₹ 15,000 and
(g) Variable cost in period II.

Period	Sales (₹)	Profit (₹)
I	1,20,000	9,000
II	1,40,000	13,000

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