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BBABMC 365/BBMBMC 365

Credit Based VI Semester B.B.A./B.B.M. Degree Examination, Sept./Oct. 2020

(2012 Scheme)

FINANCIAL ANALYSIS

Paper – II : Financial Management (Elective)

Time : 3 Hours

Max. Marks : 120

Instruction : Give working notes *wherever* necessary.

SECTION – A
(2 marks each)

1. Answer **any ten** of the following :

(10×2=20)

- a) What is internal analysis ?
- b) What do you mean by trend analysis ?
- c) Mention the types of cashflows.
- d) What is meant by 'Window Dressing' ?
- e) Mention any two applications of fund.
- f) What is meant by MVA ?
- g) Give the meaning of operating leverage.
- h) List out the four approaches to strategy in creating wealth.
- i) What is proprietary ratio ?
- j) State any two limitations of financial statements.

P.T.O.



k) If Net Sales, ₹ 4,00,000

Gross Profit : ₹ 80,000

Operating expenses : ₹ 20,000

Calculate operating ratio.

l) A company has a liquid ratio of 1.5 : 1. Its stock is ₹ 60,000 and its current liabilities are ₹ 1,20,000. Calculate the current ratio.

SECTION – B

(8 Marks each)

Answer **any five** questions :

(5×8=40)

2. Explain the nature of financial statement.
3. Explain the importance of ratio analysis.
4. Following is the Balance Sheet of Pragati Ltd. as on 31st March 2019.

Liabilities	(₹)	Assets	(₹)
Equity share capital	2,00,000	Land and buildings	1,40,000
General reserve	40,000	Plant and machinery	3,50,000
Profit and loss A/c	30,000	Stock	2,00,000
Debentures	4,20,000	Sundry Debtors	1,10,000
Sundry creditors	1,00,000	Cash at bank	40,000
Bank overdraft	50,000		
	8,40,000		8,40,000

Sales for the year amounted to ₹ 5,00,000.



Calculate :

- a) Current ratio
- b) Quick ratio
- c) Debt-equity ratio
- d) Working capital turnover ratio.

5. From the following Balance Sheets, prepare Comparative Balance Sheet.

Liabilities	2018	2019	Assets	2018	2019
	(₹)	(₹)		(₹)	(₹)
Equity			Land	1,00,000	1,00,000
Share capital	4,00,000	4,00,000	Buildings	3,00,000	2,70,000
Preference			Plant	3,00,000	2,70,000
Share capital	3,00,000	3,00,000	Furniture	1,00,000	1,40,000
Reserves	2,00,000	2,45,000	Stock	2,00,000	3,00,000
10% Debentures	1,00,000	1,50,000	Debtors	2,00,000	3,00,000
Provision for tax	1,00,000	1,50,000	Cash	1,00,000	1,40,000
Bills payable	50,000	75,000			
Sundry creditors	1,50,000	2,00,000			
	13,00,000	15,20,000		13,00,000	15,20,000



6. During the year 2019, Smart Ltd., earned a profit of ₹ 3,80,000 after adjusting the following :

	₹
a) Depreciation on Fixed Assets	22,000
b) Salaries	30,000
c) Discount on shares written off	8,000
d) Amortisation of Goodwill	6,000
e) Loss on sale of Fixed assets	2,000
f) Proposed dividend	20,000
g) Rent paid	9,000
h) Interest received	3,000
i) Transfer to sinking fund	30,000
j) Profit on sale of investment	4,500

7. Compute operating leverage, financial leverage and combined leverage from the following information :

Sales – 2,00,000 units at ₹ 4 per unit

Variable cost – 60% of sales

Fixed cost – ₹ 1,00,000

Interest charges – ₹ 9,000

8. From the following details ascertain economic value added.

Sales – ₹ 20,00,000

Operating cost – ₹ 14,00,000

Total capital employed – ₹ 12,00,000

Cost of capital – 11%

Tax rate – 35%



SECTION – C
(20 Marks each)

Answer **any three** questions :

(3×20=60)

9. Following are the Balance Sheets of Sandesh Company Ltd., prepare cashflow statement for the year 2019 as per AS-3 (Indirect Method)

Equity and Liabilities	2018	2019	Assets	2018	2019
	(₹)	(₹)		(₹)	(₹)
Share capital	10,00,000	12,50,000	Land and		
General			Buildings	5,00,000	4,80,000
Reserve	2,50,000	3,00,000	Machinery	7,50,000	9,20,000
Profit and loss A/c	1,50,000	1,90,000	Investment		
Long term			(Long Term)	1,00,000	50,000
Bank loan	5,00,000	4,00,000	Stock	3,00,000	2,80,000
Creditors	5,00,000	4,00,000	Sundry		
Provision for			Debtors	4,00,000	4,20,000
Tax	50,000	60,000	Cash in hand	2,00,000	1,65,000
Proposed			Cash at bank	3,00,000	4,10,000
Dividend	1,00,000	1,25,000			
	25,50,000	27,25,000		25,50,000	27,25,000

**Additional information :**

- a) Income tax provision made during the year ₹ 55,000.
- b) Dividend paid during the year amounted to ₹ 1,00,000.
- c) Company sold some investment costing ₹ 50,000 for ₹ 60,000.
- d) Depreciation on land and building ₹ 20,000 and machinery ₹ 55,000.

10. Based on the following information prepare balance sheet.

Current ratio 2.5

Liquid ratio 1.5

Net working capital ₹ 6,00,000

Paid up capital ₹ 10,00,000

Stock turnover ratio 5 times

Gross profit ratio 20% on sales

Fixed asset turnover ratio 2 times (based on sales)

Debtors turnover ratio 5 times

Fixed assets to net worth 0.8

Long term debt to net worth 0.184

11. Calculate financial leverage, operating leverage and combined leverage under situations A and B financial plans I and II respectively from the following relating to the operations and capital structures of a company.

Actual production and sales – 1000 units

Selling price per unit – ₹ 30

Variable cost per unit – ₹ 20



Fixed costs :

Situation A – ₹ 2,000

Situation B – ₹ 4,000

Capital structure :

	Financial I (₹)	Plan II (₹)
Equity	10,000	15,000
Debt	10,000	5,000

Cost of debt is 12%.

12. Write short notes on :

- a) Types of financial analysis
 - b) Fund flow statement
 - c) Profitability ratios
 - d) Uses of EVA.
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