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BBMBMC 365

Credit Based VI Semester B.B.M. Degree Examination, April/May 2018
(2012 Scheme)

FINANCIAL MANAGEMENT (Elective)
Financial Analysis (Paper – II)

Max. Marks : 120

Time : 3 Hours

Instruction : Give working notes *wherever necessary*.

SECTION – A

(2 marks each)

(2×10=20)

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

- What is common-size financial statement ?
- Give the meaning of external analysis.
- What is meant by financial leverage ?
- State the steps in financial analysis.
- State the types of cashflows.
- What is market value added ?

g) If Net sales = ₹ 5,00,000

Gross profit = ₹ 1,00,000

Operating expenses = ₹ 60,000

Calculate operating ratio.

h) If current ratio = 2.5 : 1

Current liabilities = ₹ 50,000

Calculate current assets.

i) What is capital gearing ratio ?

j) What is meant by window dressing ?

k) State four approaches to strategy in wealth creation.

l) What is net working capital ?

P.T.O.



SECTION – B
(8 marks each)

Answer **any five** questions :

(8×5=40)

2. Explain the limitations of financial statement.
3. Explain the importance of cashflow statement.
4. From the following details, calculate funds from operations

	₹
Net profit for the year	80,000
Depreciation on fixed assets	45,000
Goodwill written off	12,000
Loss on sale of machinery	5,000
Profit on sale of investment	15,000
Tax provision	35,000
Dividend paid	40,000
Transfer to general reserve	25,000

5. From the following figures compute the trend percentages using 31-12-2014 as base year.

Year	(₹ in lakhs)			
	2014	2015	2016	2017
Net sales	100	95	120	130
Cost of goods sold	60	58	69.60	72.80
Gross profit	40	36.10	50.40	57.20
Operating Expenses	10	9.70	11.00	12.00
Net operating profit	30	26.40	39.40	45.20

6. From the following Balance Sheet compute :

- a) Current ratio.
- b) Quick ratio.
- c) Debt equity ratio.
- d) Proprietary ratio.

Liabilities	₹	Assets	₹
Equity share capital	1,50,000	Land	30,000
Debentures	75,000	Long term investments	10,000
Sundry creditors	65,000	Stock	1,20,000
Bank overdraft	35,000	Debtors	90,000
		Cash	75,000
	3,25,000		3,25,000

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

Sales	—	100000 units at ₹ 2 per unit.
Variable cost	—	70% of sales
Interest charges	—	₹ 4,000
Fixed cost	—	₹ 1,00,000

8. From the following details ascertain economic value added :

₹ in lakhs

Sales	700
Operating cost	500
Total capital employed	450
Cost of capital	12%
Tax rate	40%

SECTION -- C

(20 marks each)

Answer any three questions :

(20x3=60)

9. 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 structure of a company.

Actual production and sales – 800 units

Selling price per unit ₹ 20

Variable cost per unit ₹ 15

Fixed costs :

Situation A	—	₹ 800
Situation B	—	₹ 1,500

Capital structure :

	Financial plan	
	I	II
Equity capital	₹ 5,000	₹ 7,000
Debt	₹ 5,000	₹ 2,000
Cost of debt	10%	10%



10. From the following Balance Sheets of Pavana Co. Ltd. Prepare cashflow statement as per AS-3 (Revised).

Liabilities	31-12-2016	31-12-2017	Assets	31-12-2016	31-12-2017
	(₹)	(₹)		(₹)	(₹)
Share capital	2,00,000	2,50,000	Land and		
General Reserve	50,000	60,000	Buildings	2,00,000	1,90,000
Profit and Loss A/c	30,500	30,600	Plant	1,50,000	1,69,000
Debentures	70,000	1,35,000	Stock	1,00,000	74,000
Creditors	1,50,000	—	Debtors	80,000	69,200
Provision for			Cash at Bank	500	8,600
taxation	30,000	35,200			
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information :

- Dividend of ₹ 23,000 was paid.
 - Depreciation charged on plant ₹ 14,000.
 - Income tax provision made during the year ₹ 33,000.
 - No depreciation is charged on land and buildings.
11. Write short notes on :
- Importance of ratio analysis.
 - Nature of financial statement.
 - Uses of EVA.
 - Funds flow statement.
12. Prepare the Balance Sheet from the following information :
- | | | |
|--|---|------------|
| Current ratio | — | 2.5 |
| Liquid ratio | — | 1.5 |
| Net working capital | — | ₹ 3,00,000 |
| Stock turnover ratio | — | 6 times |
| Gross profit ratio | — | 20% |
| Fixed assets turnover | — | 2 times |
| (Based on cost of goods sold) | | |
| Debtors turnover | — | 6 times |
| Fixed assets to shareholders net worth | — | 0.80 |
| Reserves and surplus | — | ₹ 2,50,000 |
| Long term loan | — | ₹ 1,50,000 |