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BBABMC 365/BBMBMC 365

VI Semester B.B.A./B.B.M. Degree Examination, April/May 2019

(Credit Based Semester Scheme)

(2012 Scheme)

FINANCIAL MANAGEMENT

Paper II – Elective – Financial Analysis

Time : 3 Hours]

[Max. Marks : 120

Instructions : Give working notes wherever necessary.

SECTION – A

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

(10 × 2 = 20)

- (a) What is comparative statement analysis?
- (b) What is vertical analysis?
- (c) Mention any two sources of fund.
- (d) What do you mean by 'Window dressing'?
- (e) What are 'cash equivalents'?
- (f) State any 2 benefits of ratio analysis.
- (g) What is 'Dupont Analysis'?
- (h) What is Financial Leverage?
- (i) If Net Sales : Rs. 3,00,000
Gross profit : Rs. 60,000
Operating expenses : Rs. 30,000
Calculate Operating Ratio.
- (j) What is meant by Market Value Added?
- (k) What are notional cash flows?
- (l) What is meant by wealth creation?

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SECTION - B

Answer **any five** questions :

(5 × 8 = 40)

2. Explain the various types of financial analysis.
3. Distinguish between fund flow analysis and cash flow analysis.
4. From the following information prepare commonsize profit and loss account of Alpha Ltd and Beta Ltd.

	Alpha ₹	Beta ₹		Alpha ₹	Beta ₹
To Cost of goods Sold	6,000	7,000	By Net sales	8,000	10,000
To Operating Expenses :			By Non-operating Income	500	1,000
Administrative expenses	300	500			
Selling expenses	400	500			
To Non-operating Expenses	300	500			
To Net profit	1,500	2,500			
	8,500	11,000		8,500	11,000

5. From the following income statement, calculate funds from operations.

Income Statement		Rs.	
To Rent	25,000	By Gross Income	5,00,000
To Salaries	75,000	By Profit on sale of Vehicle	3,000
To Goodwill written off	25,000	By Refund of tax	2,000
To Commission	5,000	By Dividends	10,000
To Depreciation	50,000	By Discount	5,000
To Provision for taxation	1,50,000		
To Preliminary expenses written off	5,000		
To RBD	3,000		



	Rs.	Rs.
To Loss on sale of Investments	10,000	
To Provision for Legal damages	5,000	
To Cost of issue of Shares written off	2,000	
To Net income	1,65,000	
	5,20,000	5,20,000

6. Maya Traders provide you the following information.

Calculate Operating leverage, financial leverage, combined leverage and earnings per share.

Sales Rs. 5,00,000

Variable cost 20% of sale

Fixed cost : Rs. 1,50,000

Interest : Rs. 50,000; Tax rate : 30%

No. of equity shares : 10,000.

7. From the following Balance sheet compute the following ratios.

- (a) Current ratio
- (b) Liquid ratio
- (c) Capital gearing ratio and
- (d) Debt-equity ratio

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Balance Sheet as on 31.3.2018

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,00,000	Land & Building	1,50,000
Preference share capital	90,000	Plant & Machinery	80,000
Debenture	1,60,000	Stock	1,49,000
Creditors	20,000	Sundry debtors	71,000
Bank overdraft	10,000	Cash	30,000
	4,80,000		4,80,000



8. Following is the condensed income statement of a firm for the current year.

(Rs. in lakhs)	
Sales	500
Less : Operating costs	300
Less : Interest costs	12
	188
Less : Taxes 40%	75.2
	112.8

The firm's existing capital consists of Rs. 150 lakhs equity funds, having 15% costs and Rs. 100 lakh, 12% debt. Determine the economic value added during the year.

SECTION - C

Answer **any three** questions :

(3 × 20 = 60)

9. From the following Balance sheets of Laxmi Ltd. Prepare Cash Flow Statement as per AS-3 (Revised).

Liabilities			Assets	(Rs. in thousands)	
	2017	2018		2017	2018
	Rs.	Rs.		Rs.	Rs.
Share capital	400	600	Buildings	380	400
Reserve	100	120	Machinery	320	300
P & L A/c	60	65	Stock	148	200
Bank Loan	140	-	S. Debtors	128	160
Creditors	260	170	Cash	10	12
B/P	-	67	Bank	20	-
Provision for			Preliminary expenses	12	10
Taxation	58	70	Goodwill	-	10
	1,018	1,092		1,018	1,092



Additional Information :

- (a) Dividend of Rs. 50,000 was paid during the year
- (b) Assets of another company were purchased for consideration of Rs. 1,00,000 payable in shares :

The following assets were purchased machinery Rs. 50,000 Building - Rs. 40,000

- (c) Depreciation written off on machinery Rs. 25,000 and building Rs. 10,000
- (d) Income tax provided during the year Rs. 35,000
- (e) Machinery further purchased Rs. 15,000
- (f) Loss on sale of machinery Rs. 2,000 written off to general reserve.

10. From the following particulars draw up the Balance Sheet of the firm.

Sales	Rs. 2,00,000
Sales to Net worth	2.5
Current liabilities to Net worth	25%
Total Debt to net worth	60%
Current ratio	3.6 times
Net sales to inventory	4 times
Average collection period	36 days
(Consider 1 year = 360 days)	
Fixed Assets to Net worth	70%

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11. Calculate operating leverage, financial leverage and combined leverage under situations 1 and 2 and financial plans A and B respectively from the following information relating to the operation and capital structure of a company.

Installed capacity	2000 units
Annual production & sales :	50% of installed capacity
Selling price per unit	Rs. 20
Variable cost per unit	Rs. 10



Fixed Costs :

Situation 1

Rs. 4,000

Situation 2

Rs. 5,000

Capital structure :

Financial Plan

	A	B
	Rs.	Rs.
Equity	5,000	15,000
Debt (cost 10%)	15,000	5,000
	<u>20,000</u>	<u>20,000</u>

12. Write short notes on :

- Nature of financial statements
- Importance of Cash flow statement
- Key elements of strategic planning
- Limitations of Ratio analysis.