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BBABMC 365/BBMBMC 365

**Credit Based VI Semester B.B.A./B.B.M. Degree Examination, Sept./Oct. 2021
(2012 Scheme)**

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

Time : 3 Hours

Max. Marks : 120

Instruction : Give working notes wherever necessary.

**SECTION – A
(2 marks each)**

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Answer **any ten** questions in **one** or **two** sentences **each**.

(10×2=20)

1. a) What are financial statements ?
- b) Give the meaning of fund flow statement.
- c) What are the types of cash flows ?
- d) What is meant by financial analysis ?
- e) State any two limitations of ratio analysis.
- f) What is meant by common size financial statement ?
- g) What is inventory turnover ratio ?
- h) What is meant by financial leverage ?
- i) What is meant by external analysis ?
- j) What is MVA ?
- k) If Net sales is ₹ 2,50,000, Gross Profit is ₹ 50,000, Operating expenses are ₹ 20,000, calculate operating ratio.
- l) What is net working capital ?

**SECTION – B
(8 marks each)**

Answer **any five** questions.

(5×8=40)

2. Explain the nature of financial statements.
3. Explain the key elements of strategic planning.

P.T.O.



4. Pranamya Limited has provided the following details for the year 2020. You are required to ascertain funds from operations for the year.

	₹
Profit for the year	20,000
Loss on sale of machinery	3,000
Profit on sale of motor car	8,000
Preliminary expenses written off	4,000
Goodwill written off	10,000
Transfer to general reserve	25,000
Proposed dividend	20,000
Depreciation on fixed assets	18,000

5. Thushank Corporation has sales of ₹ 40,00,000, variable cost 70% of sales and fixed cost is ₹ 8,00,000. The interest charges amounted to ₹ 2,00,000. Assume tax rate @ 35%.

Calculate operating leverage, financial leverage and combined leverage.

6. Following is the summarized Balance Sheet of ABC Limited as on 31-3-2020.

Liabilities	₹	Assets	₹
Equity share capital	2,50,000	Goodwill	20,000
6% preference share capital	1,50,000	Buildings	2,50,000
Sundry creditors	28,000	Stock	90,000
Bills payable	12,000	Bank	9,000
General reserve	20,000	Machinery	1,75,000
P and L Account	15,000	Furniture	10,000
5% debentures	1,00,000	Debtors	21,000
	5,75,000		5,75,000

Additional information :

- a) Total sales ₹ 4,00,000
 b) Gross profit for the year amounted to ₹ 80,000 and net profit ₹ 20,000

Calculate :

- a) Current ratio
 b) Liquid ratio
 c) Debt-equity ratio
 d) Gross profit ratio
 e) Net profit ratio.



7. 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%

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8. From the following Balance Sheets of Megana Limited, compute the trend percentage using 2018 as the base year.

	2018(₹)	2019(₹)	2020(₹)
Share capital	2,00,000	2,50,000	3,00,000
Reserves	1,00,000	1,50,000	1,50,000
Loans	2,00,000	1,00,000	50,000
Sundry creditors	3,00,000	4,00,000	2,00,000
Buildings	2,00,000	2,50,000	3,00,000
Plant	2,00,000	2,50,000	1,00,000
Stock	2,50,000	2,50,000	1,50,000
Debtors	1,00,000	1,00,000	1,00,000
Cash at bank	50,000	50,000	50,000

SECTION – C
(20 marks each)

Answer **any three** of the following :

(3×20=60)

9. From the following information presented by a firm for the year ended 31st March, prepare the Balance Sheet.

Sales to Net worth	5 times
Current liabilities to net worth	50%
Total debts to net worth	60%
Fixed assets to net worth	60%
Current ratio	2
Sales to stock	10 times
Debtors velocity	12 times
Annual sales	₹ 15,00,000



10. 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.

Annual production and sales – 1000 units

Selling price per unit ₹ 30

Variable cost per unit ₹ 20

Fixed costs :

Situation A – ₹ 1,500

Situation B – ₹ 2,000

Capital structure :

	Financial Plan	
	I	II
Equity capital	₹ 5,000	₹ 7,000
Debt	₹ 5,000	₹ 3,000
Cost of debt	10%	10%

11. The summarised Balance Sheets of Vandana Limited as on 31-3-2019 and 31-3-2020 are as follows.

Liabilities	2019 (₹)	2020 (₹)	Assets	2019 (₹)	2020 (₹)
Share capital	4,50,000	4,50,000	Fixed assets	4,00,000	3,20,000
General reserve	3,00,000	3,10,000	Investments	50,000	60,000
P and L A/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Tax provision	75,000	10,000	Bank	1,49,000	1,97,000
Debentures	—	2,70,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Additional details :

- Investments costing ₹ 8,000 were sold for ₹ 8,500.
- Tax provision made during the year was ₹ 9,000.
- During the year part of the fixed assets costing ₹ 10,000 was sold for ₹ 12,000.

Prepare cash flow statement as per AS-3 (Indirect method).

12. Write short notes on :

- Limitations of financial statements.
- Economic value added.
- Uses of cash flow statement.
- Importance of ratio analysis.