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BBMBMC 365

**Credit Based VI Semester B.B.M. Degree (Supplementary) Examination,
August/September 2015
(2012 Scheme)
FINANCIAL MANAGEMENT (Elective)
Financial Analysis (Paper – II)**

Time : 3 Hours

Max. Marks : 120

- Instructions :**
- Answer **all** the questions.
 - Give working notes **wherever** necessary.
 - Answer the theory questions in Section **B** in **not** more than **2 pages each**.
 - Answer the theory questions in Section **C** in **not** more than **6 pages**.

**SECTION – A
(2 marks each)**

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

(2×10=20)

- What do you mean by Retained Earnings ?
 - Mention the different types of Financial Statements.
 - What do you mean by Financial Analysis ?
 - Give the meaning of the term fund.
 - What are Financial Cash Flows ?
 - What do you mean by Ratio analysis ?
 - What is Financial Leverage ?
 - What do you mean by Acid Test Ratio ?
 - What are Recorded facts ?
 - How will you find out combined leverage ?
 - Mention any two uses of EVA.
 - What do you mean by Trend Analysis ?

P.T.O.



SECTION – B
(8 marks each)

Answer **any five** of the following :

(8×5=40)

2. Explain the nature of Financial Statements.

3. From the following data, calculate the trend percentages :

	2012	2013	2014
	₹	₹	₹
Sales	6,00,000	8,00,000	10,00,000
Cost of goods sold	3,00,000	5,00,000	6,00,000
Selling expenses	1,00,000	1,50,000	2,00,000
Administrative expenses	50,000	60,000	80,000
Financial expenses	30,000	40,000	20,000

4. Write a note on Corporate Financial Strategic Planning.

5. From the following information, prepare a Cash Flow Statement for the year ended 31st March, 2014 :

i) Increase in working capital	– ₹ 40,000
ii) Depreciation provided on fixed assets	– ₹ 17,500
iii) Dividend paid	– ₹ 35,000
iv) Net profit – ₹ 1,07,500 before writing off Goodwill	
v) Goodwill written off out of Profit	– ₹ 50,000
vi) Machinery purchased	– ₹ 1,00,000
vii) Further issue of share capital ₹ 50,000 for cash.	

6. The following is the Balance Sheet of a firm :

	₹		₹
Share capital	3,00,000	Fixed Assets	1,65,000
Creditors	80,000	Cash	10,000
Bills payable	20,000	Book Debts	60,000
Provision for taxation	35,000	Bills receivables	20,000
		Stock	1,75,000
		Prepaid expenses	5,000
	4,35,000		4,35,000

Comment upon the liquidity of the firm.



7. Bhatt Co. Ltd., Balance Sheet is as follows :

Liabilities	Amount ₹	Assets	Amount ₹
Equity capital (each ₹ 10)	60,000	Fixed Assets	1,50,000
10% Long Term debt	80,000	Current Assets	50,000
Retained earnings	20,000		
Current liability	40,000		
	2,00,000		2,00,000

The company's total assets turnover is 3. Its fixed operating costs are ₹ 1,00,000 and its Variable Cost Ratio is 40% income tax rate is 50%.

Calculate :

- 1) Operating leverage 2) Financial leverage 3) Combined leverage

8. State any five differences between cash flow analysis and fund flow analysis.

SECTION – C
(20 marks each)

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(20×3=60)

Answer any three of the following :

9. Following are the summarised Balance Sheets of Sahana Ltd. as on 31st December, 2013 and 2014 :

Liabilities	2013 ₹	2014 ₹	Assets	2013 ₹	2014 ₹
Share capital	4,50,000	4,50,000	Fixed Assets	4,00,000	3,20,000
General Reserve	3,00,000	3,00,000	Investments		
Profit and Loss A/c	56,000	68,000	(non-current)	50,000	60,000
Creditors	1,68,000	1,34,000	Stock	2,40,000	2,10,000
Provision for			Debtors	2,10,000	4,55,000
taxation	75,000	20,000	Bank	1,49,000	1,97,000
Mortgage loan	—	2,70,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Additional Information :

- Investments costing ₹ 8,000 were sold during the year 2014 for ₹ 8,500.
- Provision for taxation made during the year was ₹ 90,000.
- During the year part of the fixed assets costing ₹ 10,000 was sold for ₹ 12,000. The profit was included in Profit and Loss A/c.
- Dividend paid during the year amounted to ₹ 40,000.

Prepare a statement showing the sources and applications of funds of the year ended 31st December, 2014.



10. From the following details prepare Balance Sheet :

1) Stock Turn Over Ratio	6
2) Capital Turn Over Ratio (based on cost of sales)	2
3) Fixed Assets Turnover Ratio (based on cost of sales)	4
4) Gross Profit Turn Over Ratio	20%
5) Debtors velocity	2 months
6) Creditors velocity	73 days

Other details :

- The Gross Profit was Rs. 60,000
 - Reserves and surplus Rs. 20,000
 - Closing stock was Rs. 5,000 in excess of opening stock
 - Consider one year = 365 days
 - Capital turn over includes both capital as well as Reserves and Surplus.
11. Calculate the Operating Leverage, Financial Leverage, Combined Leverage and Earning after tax under Situation A, B and C and financial plans I, II and III respectively from the following information relating to the operation and capital structure of XYZ Co. Also find out the combination of operating and financial leverage which give the highest value and the least value.

Installed capacity	1200 units
Actual production and sales	800 units
Selling price per unit	₹ 15
Variable cost per unit	₹ 10
Fixed cost : Situation A	₹ 1,000
Situation B	₹ 2,000
Situation C	₹ 3,000

Tax Rate 40%

Financial plan

	I	II	III
Equity	₹ 5,000	₹ 7,500	₹ 2,500
12% Debt	₹ 5,000	₹ 2,500	₹ 7,500

12. Write short note on **any three** of the following :

- Comparative Financial Statement Analysis
 - Importance of Ratio Analysis
 - Economic Value Added (EVA)
 - Types of leverages
 - Various sources and uses of fund.
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