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BBMBMC 365

**Credit Based VI Semester B.B.M. Examination, April/May 2015
(2012 Scheme)**

**FINANCIAL MANAGEMENT – II (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)

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

(2×10=20)

- What are Financial Statements ?
 - What do you mean by Window Dressing ?
 - Mention the different types of financial statements.
 - What are sources of Fund ?
 - What are Operating cash flows ?
 - What are Ratios ?
 - What are super quick assets ?
 - What is meant by financial leverage ?
 - Give the formula for ascertaining financial leverage.
 - What is EVA ?
 - Give the meaning of fund from operations.
 - Give the meaning of cash flows.

P.T.O.



SECTION – B

(8 marks each)

(8×5=40)

Answer any five of the following :

2. Explain any five limitations of Financial statements.
3. From the following balances, prepare Comparative Balance Sheet showing increase or decrease in individual assets and liabilities with percentage of such increase or decrease.

	2013	2014
	₹	₹
Share capital	8,00,000	10,00,000
Reserves	1,00,000	1,20,000
Secured loans	30,000	40,000
Unsecured loans	20,000	10,000
Sundry Creditors	80,000	1,00,000
Buildings	4,00,000	5,00,000
Machinery	3,00,000	4,00,000
Stock	2,00,000	1,80,000
Debtors	1,00,000	1,50,000
Cash at Bank	30,000	40,000



- 4. Explain the key elements of Strategic Planning.
- 5. Following are the extracts from the Balance Sheets of PC Limited.

Particulars	2013	2014
	₹	₹
Profit and Loss A/c	50,000	80,000
Provision for taxation	10,000	15,000
Proposed dividends	5,000	10,000

Additional Information :

- i) Tax paid during the year 2014 ₹ 2,500
- ii) Dividends paid for the period 2014 ₹ 1,000

On the basis of the above information, calculate 'funds from operations' taking provisions for tax and proposed dividend as non-current liabilities.

- 6. The following figures are extracted from the Balance Sheet of X Ltd. as on 31st December.

	2013	2014
	₹	₹
Stock	2,50,000	4,00,000
Debtors	1,00,000	1,60,000
Creditors	80,000	1,50,000
Cash at Bank	50,000	40,000



Bills payable	20,000	30,000
Provision for taxes	50,000	70,000
Bank overdraft	50,000	1,50,000

Calculate the Current Ratio and Acid Test Ratio for the two years and comment on the liquidity position of the company.

7. VST corporation has sales of ₹ 40 lakh, variable cost 70 per cent of the sales and fixed cost is ₹ 8,00,000. The firm has raised ₹ 20 lakh funds by issue of debentures at the rate of 10 per cent.

Compute operating, financial and combined leverages.

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

SECTION – C

(20 marks each)

Answer any three of the following :

(20×3=60)

9. The following are the summarised Balance Sheets of a company as on 31st December 2014.

Liabilities	2013	2014	Assets	2013	2014
Share capital	10,00,000	12,50,000	Land and Buildings	10,00,000	9,50,000
General Reserve	2,50,000	3,00,000	Machinery	7,50,000	8,55,000
Profit and Loss A/c	1,52,500	1,53,000	Stock	5,00,000	3,70,000
Bank loan (Long-term)	3,50,000	–	Sundry Debtors	4,00,000	3,21,000



Sundry Creditors	7,50,000	6,76,000	Cash	2,500	3,000
Provision for			Bank	—	40,000
Taxation	1,50,000	1,75,000	Goodwill	—	15,000
			(at cost)		
	26,52,500	25,54,000		26,52,500	25,54,000

Additional Information :

During the year ended 31st December 2014.

- 1) Dividend of ₹ 11,500 was paid
- 2) Depreciation charged on Land and Buildings ₹ 5,000
- 3) Machinery was further purchased of ₹ 19,000.
- 4) Depreciation written off on Machinery ₹ 6,000
- 5) Income tax provided during the year ₹ 16,500
- 6) Loss on sale of Machinery ₹ 100 was written off to General Reserve.

You are required to prepare a Cash Flow Statement.

10. From the following details prepare Balance Sheet.

- 1) Stock turnover ratio 6
- 2) Capital turnover ratio
(based on cost of sales) 2
- 3) Fixed assets turnover ratio
(based on cost of sales) 4



- 4) Gross profit turnover ratio 20%
- 5) Debtors velocity 2 months
- 6) Creditors velocity 73 days

Other details :

- a) The Gross Profit was Rs. 60,000
 - b) Reserves and surplus Rs. 20,000
 - c) Closing stock was Rs. 500 in excess of opening stock
 - d) Consider 1 year = 365 days
 - e) Capital turnover includes both capital as well as Reserves and Surplus.
11. The Balance Sheet of Alpha Numeric Company is given below :

Liabilities	₹	Assets	₹
Equity Capital			
(₹ 10 per share)	90,000	Net fixed assets	2,25,000
10% Long term debt	1,20,000	Current assets	75,000
Retained earnings	30,000		
Current liabilities	60,000		
	3,00,000		3,00,000

The company's total assets turnover ratio is 3, its fixed operating cost is ₹ 1,50,000 and its variable operating cost ratio is 50%. The income tax rate is 50%.



You are required to :

- i). Calculate the different types of leverages for the company
- ii) Determine the likely level of EBIT if EPS is :
 - a) ₹ 1
 - b) ₹ 2
 - c) ₹ 0

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

- a) Types of Financial Analysis
 - b) Trading on Equity
 - c) Objectives of Ratio Analysis
 - d) Market Value Added (MVA)
 - e) Different types of cash flows.
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