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**BBMBMC 365**

**Credit Based VI Semester B.B.M. Examination, May/June 2016  
(2012 Scheme)**

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

Time : 3 Hours

Max. Marks : 120

- Instructions :** 1) Answer **all** questions.  
2) Give working notes **wherever** necessary.

**SECTION – A (2 marks each)**

1. Answer **any ten** of the following in **two** or **three** sentences **each** : **(2×10=20)**
- What are financial statements ?
  - What is meant by Financial Analysis ?
  - What do you mean by vertical analysis ?
  - Mention any four sources of fund.
  - What are operating activities ?
  - What are super quick assets ?
  - Mention any two limitations of ratio analysis.
  - What are notional cashflows ?
  - What is Financial leverage ?
  - What is Market Value Added ?
  - What is meant by fund lost from operations ?
  - Give the meaning of the concept of "Wealth creation".

**SECTION – B (8 marks each)**

- Answer **any five** of the following : **(8×5=40)**
- Explain the nature of Financial statements.
  - Distinguish between fundflow analysis and cashflow analysis.

P.T.O.



4. From the following B/Ss of Swadeshi Ltd. prepare Comparative Balance Sheet.

	(Rs. in lakhs)			
	2014		2015	
	₹	₹	₹	₹
Bills payable	50	75	Cash	100
Creditors	150	200	Debtors	200
Tax Payable	100	150	Stock	200
8% debentures	100	150	Land	100
Pref. share capital	300	300	Building	300
Equity share capital	400	400	Machinery	300
Reserves	200	245	Furniture	100
	<b>1,300</b>	<b>1,520</b>		<b>1,300</b>
				<b>1,520</b>

5. Calculate Fund from Operations from the following Profit and Loss A/c.

Profit and Loss A/c			
	₹		₹
To Salaries	50,000	By Gross profit	5,00,000
" Rent	30,000	" Profit on sale of building	40,000
" Depreciation	50,000	" Int. received	25,000
" Printing and stationery	30,000		
" Preliminary exps. written off	20,000		
" Goodwill written off	30,000		
" Provision for Tax	40,000		
" Proposed dividend	60,000		
" Loss on sale of furniture	15,000		
" Net profit	2,40,000		
	<b>5,65,000</b>		<b>5,65,000</b>

6. Given :

Current ratio 2.5 : 1

Liquid ratio : 1.5 : 1

Working Capital ₹ 90,000

**Calculate :**

- Current assets
- Current liabilities
- Liquid Assets
- Stock



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

	₹
Interest	50,000
Sales	5,00,000
Variable cost	50% of sales
Fixed cost	1,50,000

8. Hypothetical Ltd. has existing assets in which it has capital invested of ₹ 50 crores. The after tax operating income on assets in place is ₹ 7.5 crore. The return on capital employed of 15% is expected to be sustained perpetually and company has a cost of capital of 10%.

Estimate the present value of economic value added of the firm from its assets-in-place.

### SECTION – C (20 marks each)

Answer **any three** of the following :

(20×3=60)

9. Following are the Balance Sheets of Sweet Grapes Ltd. as on 31<sup>st</sup> Dec., 2014 and 2015.

	2014		2015		(₹ in thousands)	
	₹	₹	₹	₹	2014	2015
Share capital	450	450	Fixed assets	400	320	
General Res.	300	310	Investments	50	60	
Profit and loss A/c	56	68	Stock	240	210	
Creditors	168	134	Debtors	210	455	
Provision for taxation	75	10	Bank	119	157	
Bills payable	–	270	Cash	30	40	
	<b>1,049</b>	<b>1,242</b>		<b>1,049</b>	<b>1,242</b>	

#### Additional Information :

- Investments costing ₹ 12,000 sold during the year for ₹ 13,000
- Provision for taxation made during the year 2015 is ₹ 90,000
- During the year 2015 part of fixed assets having book value of ₹ 20,000 were sold for ₹ 15,000
- Dividend paid during the year 2015 amounted to ₹ 60,000.

Prepare cashflow statement as per AS-3 (Revised) assuming that provision for taxation was treated as a non-current liability.



10. The following data are extracted from the published A/cs of 2 companies in an industry.

	Alpha Ltd. ₹	Beta Ltd. ₹
Sales	64,00,000	60,00,000
Net profit after tax	2,46,000	3,16,000
Equity capital (shares of ₹ 10)	20,00,00	16,00,000
General reserve	4,64,000	12,84,000
Creditors	7,64,000	10,98,000
Long-term debt	16,00,000	13,20,000
Bank credit (short term)	1,20,000	4,00,000
Fixed assets	31,98,000	31,80,000
Stock	6,62,000	16,18,000
Cash	44,000	52,000
Dvs.	6,44,000	5,52,000
Cash at bank	4,00,000	3,00,000

You are required to prepare a statement of comparative ratios showing :

- 1) Liquidity
- 2) Profitability
- 3) Activity and
- 4) Financial position of 2 Cos.

11. Following is the B/S of Smart Ltd. as on 31-3-2016.

₹		₹	
Equity capital (shares of ₹ 100)	18,00,000	Fixed assets	45,00,000
10% debenture	24,00,000	Current assets	15,00,000
P and L A/c	6,00,000		
Current liabilities	12,00,000		
	<b>60,00,000</b>		<b>60,00,000</b>

The Co's total assets turnover ratio is 2.5 times. The fixed operating costs are ₹ 20 lakh. Variable operating cost is 40% of sales.

Income tax rate is 50%.

- 1) Calculate the leverages
- 2) Determine the likely level of EBIT if EPS is
  - a) ₹ 10
  - b) ₹ 15
  - c) ₹ 20

12. Write short notes on **any four** :

- a) Sources and uses of fund
- b) Internal and external analysis
- c) Utility or uses of EVA
- d) Importance of ratio analysis
- e) Cashflows.