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BBMBMC 365

**Credit Based VI Semester B.B.M. Degree Examination, Nov./Dec. 2015
(2012 Scheme)**

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

Time : 3 Hours

Max. Marks : 120

- Note :** 1) A single answer booklet containing **40** pages will be **issued**.
No additional sheets will be issued.
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 is trend analysis ?
 - Write any four techniques of financial statements.
 - What is cash flow statement ?
 - List out the two statements of Funds Flow Analysis.
 - Cost of goods sold ₹ 1,80,000;
Operating expenses ₹ 30,000;
Sales ₹ 3,00,000;
Find out Operating Ratio.
 - Total Assets – ₹ 2,60,000
Total Debt – ₹ 1,80,000
Current Liabilities – ₹ 20,000
Find out Shareholders funds and long term debt.
 - What is capital gearing ?
 - What is leverage ?
 - What is financial risk ?
 - What is operating leverage ?
 - What is Economic Value Added ?
 - Name the four approaches to strategy in creating wealth.

**SECTION – B
(8 marks each)**

Answer **any five** questions :

(8×5=40)

- Explain the limitations of Financial Statements.
- Explain the types of Financial Analysis.

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4. Prepare a common size Profit and Loss A/c from the following data :

	March 2014 ₹	March 2015 ₹
Sales	2,00,000	2,50,000
Purchases	60,000	90,000
Wages	25,000	30,000
Factory Expenses	<u>15,000</u>	<u>20,000</u>
Gross Profit	1,00,000	1,10,000
Office Expenses	20,000	10,000
Selling Expenses	10,000	15,000
Depreciation	5,000	10,000
Interest	15,000	5,000
	50,000	70,000

5. Prepare a statement of changes in working capital from the following Balance Sheets of Apsara Company.

Balance Sheet as on 31 st March					
Liabilities	2013	2014	Assets	2013	2014
	₹	₹		₹	₹
Equity Capital	5,00,000	5,00,000	Fixed Assets	6,00,000	7,00,000
Debtore	3,70,000	4,50,000	Long Term Investments	2,00,000	1,00,000
Tax payable	77,000	43,000	Work-in-Progress	80,000	90,000
Creditors	96,000	1,92,000	Stocks	1,50,000	2,25,000
Interest payable	37,000	45,000	Debtors	70,000	1,40,000
Dividend payable	50,000	35,000	Cash	30,000	10,000
	11,30,000	12,65,000		11,30,000	12,65,000

6. Following is the Balance Sheets of Apathkal concern as on 31st March 2014.

Balance Sheet as on 31-Mar.-2014			
	₹	₹	
Share Capital	3,50,000	Land and Buildings	2,50,000
General Reserve	70,000	Machinery	1,00,000
P/L A/c	20,000	Furniture	30,000
8% Debentures	1,00,000	Stock	90,000
Sundry Creditors	20,000	Sundry Debtors	75,000
Bills payable	15,000	Cash at Bank	25,000
		Preliminary Expenses	5,000
	5,75,000		5,75,000



Other Information :

Total Sales ₹ 4,00,000. Gross Profit and Net Profit for the year ended amounted to ₹ 80,000 and ₹ 20,000 respectively.

Calculate :

- 1) Current Ratio
- 2) Liquid Ratio
- 3) Net Profit Ratio
- 4) Turnover to Fixed Assets Ratio

7. Calculate operating, financial and combined leverages.

Sales	₹ 8,00,000
Variable cost	30% of sales
Fixed cost	₹ 2,00,000
Interest	₹ 40,000
Tax rate	30%

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8. Calculate Economic Value Added (EVA) of Akanksha Ltd. for 4 years separately particulars of the said company as on 31st March

	2012	2013	2014	2015
	₹	₹	₹	₹
Sales	1,00,000	1,20,000	1,50,000	1,80,000
Operating Costs	75,000	80,000	90,000	1,00,000

Cost of Capital is 10% in all the years.

Capital employed is ₹ 1,00,000.

SECTION – C (20×3=60)
(20 marks each)

Answer **any three** of the following :

9. Good Life Ltd. supplies you the following Balance Sheets on 31st March

Liabilities	2013	2014	Assets	2013	2014
	₹	₹		₹	₹
Share Capital	10,00,000	12,00,000	Goodwill	1,20,000	1,00,000
Reserve	1,42,000	1,80,000	Land	4,00,000	5,60,000
P/L A/c	1,60,000	1,70,000	Building	3,70,000	3,60,000
Bank Loan	50,000	–	Investments	1,40,000	1,10,000
Sundry Creditors	80,000	14,000	Stock	3,00,000	2,36,000
Outstanding expenses	4,000	6,000	Bills Receivable	–	72,000
Provision for taxation	1,60,000	1,80,000	Debtors	2,00,000	2,20,000
Bills Payable	–	80,000	Cash	26,000	20,000
			Bank	40,000	1,52,000
	15,96,000	18,30,000		15,96,000	18,30,000



Following additional information has also been supplied to you.

- 1) A piece of land has been sold for ₹ 90,000.
- 2) Depreciation amounting to ₹ 60,000 has been charged on building.
- 3) Tax paid during the year ₹ 1,50,000.
- 4) Dividends of ₹ 80,000 were paid during the year.

You are required to prepare Cash Flow Statement as per AS3.

10. Calculate operating leverage, financial leverage and combined leverage under situations A, B and C.

Sales 8000 units

Selling price per unit ₹ 15

Variable cost per unit ₹ 10

Fixed Costs : Situation A – ₹ 10,000

B – ₹ 20,000

C – ₹ 30,000

Debt : Finance Plan

I – ₹ 50,000

II – ₹ 25,000

III – ₹ 75,000

Cost of Debt is 12% in all plans.

11. 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 ₹ 6,000.
- b) Reserves and Surplus ₹ 20,000.
- c) Closing Stock was ₹ 5,000 in excess of opening stock.
- d) Consider 1 year = 365 days.
- e) Capital turn over includes both capital as well as Reserves and Surplus.

12. Write short notes on the following :

- a) Key elements of strategic planning.
- b) Uses and limitations of EVA.
- c) Importance of Ratio Analysis.
- d) Uses of Fund Flow Statement.