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**BBMBMC 365**

**Credit Based VI Semester B.B.M. Degree Examination, April /May 2017  
(2012 Scheme)  
FINANCIAL MANAGEMENT – II (Elective)  
Financial Analysis (Paper – II)**

Time : 3 Hours

Max. Marks : 120

**Instructions :** 1) Answer **all** questions.

2) Give working notes **wherever** necessary.

**SECTION – A (2 marks each)**

**(2×10=20)**

1. Answer **any ten** of the following.

a) Give the meaning of external analysis.

b) What do you mean by financial analysis ?

c) What is trend analysis ?

d) If issue of shares is Rs. 1,75,000 ; Plant purchased is Rs. 25,000 and Funds from operation is Rs. 17,000.

Ascertain the amount of increase in working capital in funds flow analysis.

e) Specify the 3 categories of cash flow statement.

f) If Gross profit is Rs. 3,20,000, operating expenses Rs. 1,00,000, taxes Rs. 20,000 and proprietor's fund is Rs. 4,00,000. Ascertain return on proprietor's fund.

g) Earnings of a firm is Rs. 60,000. Market price of equity share is Rs. 30, earning per share is Rs. 3 per share, calculate Price Earning Ratio.

P.T.O.





- h) As a tool of investment, which leverage helps in evaluation of the performance of the company ?
- i) What is the formula to find out combined leverage when preference shares are a part of capital structure ?
- j) If NOPAT is Rs. 15 lakhs, capital cost is Rs. 10 lakh, calculate EVA.
- k) List out the 4 approaches to strategy in creating wealth.
- l) In corporate financial strategy and decision making, which concept is called the real key to creating wealth ?

## SECTION – B (8 marks each)

(8×5=40)

Answer **any five** questions.

2. Explain the limitations of financial statement.
3. Explain the elements of corporate financial strategic planning.
4. State the differences between funds flow statement and cash flow statement.
5. Manvith Ltd. has provided the following details for the year 2016.

You are required to ascertain funds from operations for the year.

	Rs.
P/L A/c opening balance	40,000
"    closing balance	60,000
Profit on sale of Motor Car	8,000
Preliminary expenses written off	4,000



**Ascertain :**

- 1) Liquid Ratio
- 2) Net Profit Ratio
- 3) Returns to proprietor's fund ratio
- 4) Sales to Fixed Assets Ratio.

7. Figures of Manya firm is given below :

Calculate operating leverage, financial leverage, combined leverage and earnings per share.

Sales	Rs. 11,00,000
Variable Cost	20% of Sales
Fixed Cost	Rs. 4,00,000
Interest	Rs. 60,000
Tax rate	30%
No. of equity shares	19,600

8. From the following details, ascertain Economic Value Added (EVA)

	Rs. (in lakh)
Sales revenue	500
Operating Costs taxes 40%	300
Existing Equity Capital Cost of equity 15%	150
Debt. Amount Cost of debt. 12%	100





SECTION – C (20 marks each)

(20×3=60)

Answer any three questions.

9. Calculate operating leverage, financial leverage under situations A, B & C and financial plans I, II, and III respectively from the following information relating to the operation and capital structure of Mahan Co. for producing additionally 800 units. Also find out the combination of operational and financial leverages.

Selling price per unit Rs. 30

Variable Cost per unit Rs. 20

Fixed Cost :

Situation A – Rs. 2,000

Situation B – Rs. 4,000

Situation C – Rs. 6,000

Capital structure

Financial Plan

	I	II	III
	Rs.	Rs.	Rs.
Equity	10,000	15,000	5,000
Debt.	10,000	5,000	15,000
Cost of debt.	12%	12%	12%





10. From the following balance sheets of Maardhani Co. Ltd. Prepare Cash flow statement as per AS – 3.

**Balance Sheet**

Liabilities	2015	2016	Assets	2015	2016
	Rs.	Rs.		Rs.	Rs.
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Pref. Share Capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
P/L A/c	30,000	48,000	Plant	80,000	2,00,000
Securities premium	—	20,000	Debtors	1,60,000	2,00,000
General reserve	40,000	50,000	Bills Receivable	20,000	30,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills payable	20,000	16,000	Cash at Bank	10,000	8,000
Provision for taxation	40,000	50,000			
	<b>6,77,000</b>	<b>8,17,000</b>		<b>6,77,000</b>	<b>8,17,000</b>

**Additional information :**

- i) Depreciation of Rs. 10,000 has been charged on plant and Rs. 20,000 on Land and Building in 2016.
- ii) Interim dividend of Rs. 20,000 has been paid in 2016.
- iii) Income tax provided during the year Rs. 45,000.





11. You are given the following information pertaining to financial statements of a firm. You are required to prepare Trading and Profit and Loss A/c and Balance Sheet :

	Rs.
Net Current Assets	1,00,000
Paid up Capital	3,00,000
Current Ratio	1.8:1
Liquid Ratio	1.35:1
Fixed Assets to Share holders equity	80%
G/P ratio	25%
Net profit to paid up capital	20%
Stock Turnover	5 Times
Average age of outstanding customers	36.5 days

Note : Consider 1 year = 365 days.

12. Write short notes on :

- a) Funds flow statement
- b) Any three techniques of financial analysis
- c) Advantages of EVA
- d) Limitations of Ratio analysis.

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