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BBABMC 386

Choice Based Credit System VI Semester B.B.A.

Degree Examination, September 2022

(2021 – 22 Batch Onwards)

FINANCIAL MANAGEMENT SPECIALISATION (Paper – II)

Financial Analysis Course – II

Time : 3 Hours

Max. Marks : 120

Instruction : Give working notes whenever necessary.

SECTION – A (6 marks each)

Answer **any four** of the following questions.

(4×6=24)

1. Explain the nature of financial statements.
2. Explain the importance of fund flow statement.
3. Explain the uses of EVA.
4. From the following data, calculate the trend percentages.

	2019 (Rs.)	2020 (Rs.)	2021 (Rs.)
Sales	6,00,000	8,00,000	10,00,000
Cost of goods sold	3,00,000	5,00,000	6,00,000
Gross profit	3,00,000	3,00,000	4,00,000
Administrative expenses	50,000	60,000	80,000
Selling expenses	1,00,000	1,50,000	2,00,000
Net profit	1,50,000	90,000	1,20,000

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5. From the following details, calculate funds from operations.

	₹
Net profit for the year	80,000
Depreciation on fixed assets	45,000
Goodwill written off	12,000
Profit on sale of investment	15,000
Transfer to general reserve	25,000
Loss on sale of machinery	5,000

6. Following is the summarized Balance Sheet of Gokul Ltd. as on 31-3-2022.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity share capital	2,00,000	Land and Buildings	1,50,000
Preference share capital	90,000	Plant and Machinery	80,000
Debentures	1,60,000	Stock	1,49,000
Creditors	20,000	Sundry debtors	71,000
Bank overdraft	10,000	Cash	30,000
	4,80,000		4,80,000

Compute the following :

- a) Current ratio
- b) Liquid ratio
- c) Debt-equity ratio
- d) Capital gearing ratio.

7. From the following details, ascertain economic value added :

	₹ in lakhs
Sales	1,400
Operating cost	1,000
Total capital employed	900
Cost of capital	12%
Tax rate	40%



SECTION – B (12 marks each)

Answer **any four** of the following questions.

(4×12=48)

8. From the following Balance Sheets of Swarna Ltd. prepare Comparative Balance Sheet.

Particulars	31-3-2021	31-3-2022
	(Rs.)	(Rs.)
Liabilities :		
Equity share capital	6,00,000	12,00,000
12% preference share capital	5,00,000	9,00,000
Reserve fund	4,00,000	5,00,000
Profit and Loss A/c	2,00,000	3,00,000
Long term loans	2,00,000	5,00,000
Creditors	1,00,000	3,00,000
	20,00,000	37,00,000
Assets :		
Buildings	6,00,000	12,00,000
Machinery	5,00,000	8,00,000
Investment	2,00,000	5,00,000
Debtors	3,00,000	4,00,000
Cash at bank	50,000	1,50,000
Stock	3,50,000	6,50,000
	20,00,000	37,00,000

9. Prepare a common size income statement from the following data.

	2020 (₹)	2021 (₹)
Sales	2,00,000	2,50,000
Purchases	60,000	90,000
Wages	25,000	30,000
Factory expenses	15,000	20,000
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
Profit before tax	50,000	70,000
Tax	15,000	21,000
Profit after tax	35,000	49,000



10. The following figures are extracted from the Balance Sheet of PC Ltd. as on 31st December.

Liabilities	2020 (₹)	2021(₹)	Assets	2020 (₹)	2021 (₹)
Equity share capital	4,00,000	4,00,000	Land	1,00,000	1,00,000
Preference share capital	3,00,000	3,00,000	Buildings	3,00,000	2,70,000
Reserves	2,00,000	2,45,000	Stock	3,00,000	2,70,000
10% debentures	1,00,000	1,50,000	Debtors	1,00,000	1,40,000
S. Creditors	1,50,000	2,00,000	Prepaid Exps.	2,00,000	3,00,000
B/P	50,000	75,000	Bank	2,00,000	2,80,000
O/S Exps.	1,00,000	1,50,000	Cash	1,00,000	1,60,000
	13,00,000	15,20,000		13,00,000	15,20,000

You are required to prepare a statement showing change in working capital.

11. The summarized Balance Sheets of Vedantha Ltd. as on 31-3-2020 and 31-3-2021 are given below.

You are required to calculate cash flow from operating activities.

Liabilities	2020 (₹)	2021(₹)	Assets	2020 (₹)	2021 (₹)
Share capital	4,50,000	4,50,000	Goodwill	2,00,000	1,80,000
General reserve	3,00,000	3,10,000	Fixed assets	4,00,000	3,20,000
P & L A/c	56,000	68,000	Investments	50,000	60,000
Creditors	1,68,000	1,34,000	Stock	2,40,000	2,10,000
Tax provision	76,000	20,000	Debtors	2,10,000	2,00,000
Debentures	2,00,000	1,23,000	Bank	1,00,000	90,000
			Preliminary expenses	50,000	45,000
	12,50,000	11,05,000		12,50,000	11,05,000

Additional details :

- Dividend paid during the year ₹ 2,000.
- Investment costing ₹ 8,000 were sold for ₹ 8,500.
- Tax provision made during the year was ₹ 9,000.
- During the year part of the fixed assets costing ₹ 10,000 was sold for ₹ 12,000.



12. Following is the summarized Balance Sheet of ABC Ltd. as on 31-3-2021.

Liabilities	₹	Assets	₹
Equity share capital		Buildings	2,00,000
(Shares of ₹ 100 each)	2,50,000	Machinery	1,75,000
P & L A/c	15,000	Furniture	10,000
General Reserve	20,000	Stock	90,000
5% Debentures	1,00,000	Debtors	21,000
S. Creditors	1,20,000	Bank	9,000
	5,05,000		5,05,000

Additional information :

- a) Total sales ₹ 4,00,000.
- b) Gross profit for the year amounted ₹ 80,000 and net profit ₹ 20,000.

Calculate :

- i) Gross profit ratio
- ii) Net profit ratio
- iii) Stock turnover ratio
- iv) Debtors turnover ratio
- v) Working capital turnover ratio
- vi) Proprietary ratio.

13. What is Financial Analysis ? Explain the different tools used for analysis of financial statements.

14. Write are the importance and limitations of ratio analysis.



SECTION – C (24 marks each)

Answer **any two** of the following questions.

(2×24=48)

15. Following are the summarized Balance Sheets of Sahana Ltd. as on 31st December.

Liabilities	2020 (₹)	2021(₹)	Assets	2020 (₹)	2021 (₹)
Equity share capital	5,00,000	5,50,000	Plant and		
General Reserve	4,00,000	4,50,000	Machinery	4,00,000	3,20,000
P & L A/c	70,000	80,000	Furniture	2,00,000	2,10,000
5% Debentures	3,00,000	2,00,000	Investment	2,70,000	3,90,000
Long term loan	–	3,00,000	Stock	2,50,000	3,00,000
Creditors	1,60,000	1,30,000	Debtors	2,50,000	4,00,000
B/P	40,000	60,000	Cash at Bank	1,00,000	2,00,000
Provision for tax	58,000	65,000	Cash in hand	58,000	15,000
	15,28,000	18,35,000		15,28,000	18,35,000

Additional information :

- Dividend paid during the year amounted to ₹ 40,000.
- During the year plant and machinery costing ₹ 70,000 were sold for ₹ 76,000.
- Depreciation of ₹ 30,000 was on furniture.
- Provision for taxation made during the year was ₹ 45,000.

Prepare a statement showing the sources and applications of funds for the year ended 31-12-2021.

Note : Provision for taxation to be treated as non-current liability.



16. Following are the Balance Sheets of Vasudha Ltd., prepare cash flow statement for the year 2021 as per AS-3 (Indirect method).

Liabilities	2020 (₹)	2021(₹)	Assets	2020 (₹)	2021 (₹)
Equity share capital	6,00,000	9,25,000	Land and		
Preference share capital	5,00,000	4,50,000	Buildings	5,00,000	4,80,000
General Reserve	2,50,000	3,00,000	Machinery	7,50,000	9,20,000
P & L A/c	1,50,000	1,90,000	Investment	1,00,000	50,000
Debentures	5,00,000	4,00,000	Stock	3,00,000	2,80,000
Creditors	5,00,000	4,00,000	Debtors	4,00,000	4,20,000
Provision for tax	50,000	60,000	Cash in hand	2,00,000	1,65,000
			Cash at Bank	3,00,000	4,10,000
	25,50,000	27,25,000		25,50,000	27,25,000

Additional information :

- Income tax provision made during the year ₹ 55,000.
- Dividend paid during the year amounted to ₹ 70,000.
- Company sold some investment costing ₹ 50,000 for ₹ 60,000.
- Depreciation on land and building ₹ 20,000 and machinery ₹ 55,000.

17. Prepare the Balance Sheet from the following information :

Current ratio	2.5
Liquid ratio	1.5
Net working capital	₹ 3,00,000
Stock turnover ratio	6 times
Gross profit ratio	20%
Fixed assets turnover (Based on cost of goods sold)	2 times
Debtors turnover	6 times
Fixed assets to shareholders net worth	0.80
Reserves and surplus	₹ 2,50,000
Long term loan	₹ 1,50,000

18. Explain the key elements of financial strategic planning. What are the approaches to strategy in creation of wealth ?