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BM 612

**Sixth Semester B.B.M. Degree Examination, September 2022
(1995 Scheme)**

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

Time : 3 Hours

Max. Marks : 80

Instructions : 1) Answer *all* questions.

2) Give working notes *wherever* necessary.

SECTION – A

(15 Marks Each)

(15×3=45)

1. From the following balance sheets of Sampath Co. Ltd. on 31st December 2010 and 2011, you are required to prepare :

- a) A schedule of changes in working capital and
b) A funds flow statement.

Liabilities	2010	2011	Assets	2010	2011
	Rs.	Rs.		Rs.	Rs.
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Redeemable			Land and building	2,00,000	1,70,000
Pref. share capital	1,50,000	1,00,000	Plant	80,000	2,00,000
General reserve	40,000	70,000	Debtors	1,60,000	2,00,000
Profit and Loss A/c	30,000	48,000	Stock	77,000	1,09,000
Proposed dividend	42,000	50,000	Bills receivable	20,000	30,000
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			
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information :

- i) Depreciation written off during the year 2011 :
Plant Rs. 10,000, Land and buildings Rs. 20,000.
- ii) An interim dividend of Rs. 20,000 has been paid in 2011.
- iii) Income tax of Rs. 35,000 has been paid during the year 2011.

P.T.O.



2. Prepare Trading and Profit and Loss Account and Balance Sheet from the following information :

Net current assets	Rs. 1,00,000
Paid up capital	Rs. 3,00,000
Current ratio	1.8:1
Liquid ratio	1.35:1
Fixed assets to shareholder's equity	80%
Gross profit ratio	25%
Net profit to paid up capital	20%
Stock turn over	5 times
Average collection period	36.5 days

OR

Explain the importance and limitations of ratio analysis.

3. On 31-12-2011, the Balance Sheet of Gajanana Ltd. was as follows :

Liabilities	Rs.	Assets	Rs.
Issued capital in Rs. 10 share	4,00,000	Fixed assets	5,00,000
Reserves	90,000	Current assets	2,00,000
Profit and Loss A/c	20,000	Goodwill	40,000
5% Debentures	1,00,000		
Current liabilities	1,30,000		
	7,40,000		7,40,000

On 31-12-2011, the fixed assets were independently valued at Rs. 5,50,000. The net profit for the three years were 2009 – Rs. 51,600 ; 2010 – Rs. 52,000 and 2011 – Rs. 51,650 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%. Goodwill is to be valued at 5 times the super profits of the past three years. Compute the value of the company's share by

a) Net asset method. b) Yield method.

OR

Explain the importance of financial statements to the various users.



SECTION – B
(5 Marks Each)

Answer **any five** of the following :

(5×5=25)

4. Mahan Ltd. submitted the following balance sheet as on 31-12-2011. You are required to compute the following ratios :

- 1) Current ratio.
- 2) Liquid ratio.
- 3) Debt equity ratio.

Balance Sheet as on 31-12-2011

	Rs.		Rs.
Equity capital	30,00,000	Fixed assets	28,00,000
Reserve	2,00,000	Stock	10,00,000
8% Debentures	6,00,000	Debtors	4,00,000
B.O.D.	2,00,000	Cash	2,00,000
Creditors	4,00,000		
	44,00,000		44,00,000

5. Calculate operating cash profit from the following :

Profit and Loss Account

	Rs.		Rs.
To Salaries	5,000	By Gross profit	50,000
To Rent	3,000	By Profit on sale of buildings	5,000
To Depreciation on plant	5,000	(Book value Rs. 10,000 sold	
To Printing and stationery	3,000	for Rs. 15,000)	
To Preliminary expenses written off	2,000		
To Goodwill written off	3,000		
To Provision for tax	4,000		
To Proposed dividend	6,000		
To Net Profit	24,000		
	55,000		55,000

6. Distinguish between fund flow statement and cash flow statement.

7. Explain the yield method of valuation of shares.

8. What are the limitations of financial statement ?

9. Explain the various factors to be considered while deciding to invest in a portfolio.

**SECTION – C**
(1 Mark Each)**(1×10=10)**

10. a) What do you mean by fund flow statement ?
- b) What do you mean by fair value of share ?
- c) Debt collection period is 1.5 months, credit sales is Rs. 6,00,000. Calculate debtors.
- d) What is a 'Ratio' ?
- e) What is capital gearing ratio ?
- f) Give the meaning of portfolio management.
- g) What is common size financial statement ?
- h) What is return on investment ?
- i) When is the yield method of valuation of shares used ?
- j) What is inflow of cash in cash flow statement ?
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