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BBABMC 365/BBMBMC 365

**Credit Based VI Semester B.B.A./B.B.M. Degree Examination,
September 2022
(2012 Scheme)
FINANCIAL MANAGEMENT – II (Elective)
Financial Analysis**

Time : 3 Hours

Max. Marks : 120

Instruction : Give working notes ***wherever*** necessary.

**SECTION – A
(2 marks each)**

Answer **any ten** questions in **one** or **two** sentences **each**.

(10×2=20)

1. a) What is financial analysis ?
- b) What do you mean by cash from operations ?
- c) Mention any two applications of fund.
- d) Give the meaning of trend analysis.
- e) What is Market Value Added ?
- f) Write any four techniques of financial analysis.
- g) What is operating ratio ?
- h) What is leverage ?
- i) What are cash equivalents ?
- j) Mention the four approaches to strategy in creating wealth.
- k) Write any two limitations of ratio analysis.
- l) What is net working capital ?

**SECTION – B
(8 marks each)**

Answer **any five** questions.

(5×8=40)

2. Explain the limitations of financial statements.
3. Explain the key elements of strategic planning.

P.T.O.



4. Satya Ltd. has provided the following details for the year 2021. You are required to ascertain funds from operations for the year.

	(₹)
Profits for the year	5,20,000
Depreciation on fixed assets	1,10,000
Goodwill written off	90,000
Transfer to general reserve	80,000
Proposed dividend	20,000
Loss on sale of furniture	5,000
Preliminary expenses written off	10,000
Profit on sale of machinery	5,000

5. From the following details calculate operating leverage, financial leverage and combined leverage.

Sales	– ₹ 12,00,000
Variable cost	– 20% of sales
Fixed cost	– ₹ 4,00,000
Interest	– ₹ 60,000
Tax rate	– 35%

6. Following is the Balance Sheet of Sonu & Company as on 31-3-2021.

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	1,00,000	Fixed Assets	1,80,000
Preference Share Capital	50,000	Stock	25,000
Debentures	50,000	Debtors	55,000
Retained earnings	20,000	Bills Receivable	3,000
Creditors	20,000	Cash at Bank	2,000
Bank Overdraft	25,000		
	2,65,000		2,65,000

Sales for the year amounted to ₹ 40,000.

Calculate :

- Current ratio
- Quick ratio
- Debt equity ratio
- Fixed assets turnover ratio.



7. From the following details ascertain economic value added :

₹ in lakhs

Sales	800
Operating cost	600
Total capital employed	550
Cost of capital	12%
Tax rate	40%

8. From the following Balance Sheets of ABC Ltd., prepare a Comparative Balance Sheet.

Liabilities	2020 (₹)	2021 (₹)	Assets	(₹ in Thousands)	
				2020 (₹)	2021 (₹)
Bills Payable	500	750	Cash	1,000	1,400
Sundry Creditors	1,500	2,000	Debtors	2,000	3,000
Tax Payable	1,000	1,500	Stock	2,000	3,000
6% Debenture	1,000	1,500	Land	1,000	1,000
10% Preference Capital	3,000	3,000	Buildings	3,000	2,700
Equity Share Capital	4,000	4,000	Plant	3,000	2,700
Reserves	2,000	2,450	Furniture	1,000	1,400
	13,000	15,200		13,000	15,200

SECTION – C
(20 marks each)

Answer **any three** of the following.

(3×20=60)

9. From the following Balance Sheets of Maxim Company Ltd. as on 31st December 2020 and 31st December 2021.

Liabilities	31-12-2020 ₹	31-12-2021 ₹	Assets	31-12-2020 ₹	31-12-2021 ₹
Equity Share Capital	6,00,000	8,00,000	Goodwill	2,30,000	1,80,000
General Reserve	80,000	1,40,000	Plant	1,60,000	4,00,000
Profit and Loss A/c	60,000	96,000	Land and Buildings	4,00,000	3,40,000
Bank Loan (Long term)	3,00,000	2,00,000	Debtors	3,20,000	4,00,000
Creditors	1,10,000	1,66,000	Stock	1,54,000	2,18,000
Bills Payable	40,000	32,000	Bills Receivable	40,000	60,000
Proposed dividend	84,000	1,00,000	Cash in Hand	30,000	20,000
Provision for tax	80,000	1,00,000	Cash at Bank	20,000	16,000
	13,54,000	16,34,000		13,54,000	16,34,000

**Additional Information :**

- 1) Dividend of ₹ 84,000 was paid during the year.
- 2) Depreciation charged on Plant ₹ 20,000 and on Land and Buildings ₹ 40,000.
- 3) An interim dividend of ₹ 40,000 has been paid.
- 4) Income tax of ₹ 70,000 has been paid.

Prepare cash flow statement as per AS-3 (Indirect Method).

10. From the following particulars, draw up the Balance Sheet of the company.

Sales	– ₹ 2,00,000
Sales to net worth	– 2.5
Current liabilities to net worth	– 25%
Total debt to net worth	– 60%
Current ratio	– 3.6
Net sales to inventory	– 4 times
Average collection period	– 36 days
(Assume 1 year = 360 days)	
Fixed assets to net worth	– 70%

11. Calculate financial leverage, operating leverage and combined leverage under situations A and B Financial Plans I and II respectively from the following relating to the operations and capital structure of a company.

Actual production and sales	– 800 units
Selling price per unit	– ₹ 20
Variable cost per unit	– ₹ 15

Fixed costs :

Situation A – ₹ 800

Situation B – ₹ 1,500

Capital Structure :

	Financial Plan	
	I	II
Equity Capital	₹ 5,000	₹ 7,000
Debt	₹ 5,000	₹ 2,000
Cost of debt	10%	10%

12. Write short notes on :

- a) Nature of Financial Statements.
- b) Importance of ratio analysis.
- c) Economic Value Added.
- d) Importance of funds flow statement.