



BRAINWARE UNIVERSITY

Course – MBA

Business Analysis (FM304)

(Semester – 3)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

1) **Choose the correct alternatives for the following:**

10 x 1 = 10

i) In common size statement analysis items of balance sheet are linked with

- | | |
|--------------------|----------------------|
| a) Total sales | b) Total equity fund |
| c) Total debt fund | d) Total asset |

ii) Liquidity ratio measures

- | | |
|------------------------|-----------------------|
| a) short term solvency | b) long term solvency |
| c) profitability ratio | d) none of them |

iii) Gains from sale of fixed asset is treated in cash flow in the following manner

- | | |
|--|---|
| a) Deducted from net profit | b) considered as in investing cash inflow |
| c) considered as financing cash inflow | d) None of them |

iv) Limitation of cash flow statement is

- | | |
|---------------------------------------|---|
| a) cannot detect actual profitability | b) Is not used in capital budgeting decisions |
| c) Fails to indicate liquidity | d) All of them |

v) Operating profit increases if

- | | |
|----------------------------|--------------------------------|
| a) current asset increases | b) current liability increases |
| c) Depreciation decreases | d) current liability increases |

- vi) Loss from sale of old machinery is a
- a) cash outflow from operating activity b) Cash outflow from financial activity
 c) Cash inflow from investing activity d) Cash outflow from investing activity
- vii) Net worth is-
- a) equity capital b) equity capital plus preference share
 c) equity plus preference plus debt d) equity plus reserve plus profit & loss
- viii) GAAP will mean
- a) general accounting and auditing principles b) Generally accepted accounting practices
 c) Government accounts & Audit practices d) None of these
- ix) Cross-sectional analysis will mean
- a) analysis of 5 years income statement b) Analysis undertaken by stakeholders
 c) horizontal and vertical analysis d) Performance comparison with similar firms.
- x) Following is not included in financial statement analysis
- a) horizontal analysis b) vertical analysis
 c) cash flow d) trend analysis

Group – B

(Short Answer Type Question)

Answer any three questions

3 x 5 = 15

- 2) What is free cash flow hypothesis? What implication it has on the capital structure of the firm?
[2+3]
- 3) What is du-pont analysis? Establish relations among different ratios? Why is it important?
- 4) What is price earning ratio? How increase in debt can affect it?
[2+3]
- 5) How you will treat provision for taxation and proposed dividend in fund flow analysis?
 Explain in detail
- 6) What are the factors responsible for financial distress? Explain them in brief.

Group – C

(Long Answer Type Question)

3 x 15 = 45

Answer any three questions

7) From the understated comparative balance sheets, prepare fund flow statement reconciling change in working capital.

Liabilities	2016	2017	Assets	2016	2017
Equity shares	100	100	Patent	22	20
Reserves	30	40	Land	62	50
Profit & loss	20	25	Building at cost	130	130
Term loans	160	170	Accumulated Depreciation	(39)	(45)
Outstanding expenses	5	7	Equipment at cost	63	70
Creditors	55	48	Accumulated Depreciation	(23)	(25)
			Inventory	75	70
			Debtors	50	80
			Bank	30	40
Total	370	390		370	390

Other details:

- a) A piece of equipment was sold for a price that produced a loss of Rs. 500. Its original cost was Rs. 2,500 and its book value at the time of sale was Rs. 1,500.
 - b) A piece of Land that originally cost Rs. 1,200 was sold for cash at a price that yielded a gain of Rs. 2,500.
 - c) An equity dividend of Rs. 10,000 was declared and paid in cash in 2017
 - d) No provision was made in the accounts in respect of credit sale of Rs. 2,000 in 2017 which is likely to be bad and not realizable.
- 8) Calculate Altman’s Z score using multivariate analysis and assign the firm as failed or non failed firm

Sales 10,00,000; Operating expenses 8,00,000; Interest 6,000; Depreciation 50,000; Tax 15,000; Share capital of Rs. 10 each 1,00,000; Retained earnings 50,000; 6% long term loans 1,00,000; Sundry creditors 2,00,000; Provision for tax 1,00,000; Fixed assets 1,50,000; Inventory 2,00,000; Sundry debtors 1,10,000; Loans and advances 40,000; Cash at bank 50,000.

Market value per share is Rs 8.

9) From the understated balance sheet, calculate current ratio, acid test ratio, super-quick ratio, debt-equity ratio, proprietary ratio and gearing ratio. Interpret them.

Liability	2016-17	Assets	2016-17
Equity share capital	1,00,000	Land & Building	2,50,000
10% preference share	1,00,000	Plant & machinery	2,00,000
Reserves & surplus	1,80,000	Stock	1,15,000
10% Debenture	1,00,000	Sundry Debtors	75,000
12% Public deposits	50,000	Bills receivable	8,000
Bank overdraft	40,000	Accrued income	4,000
Sundry creditors	76,000	Marketable securities	25,000
Bills payable	10,000	Prepaid expenses	4,000
Outstanding expenses	5,000	Cash	10,000
Provision for doubtful debt	10,000	Deferred revenue expenditure	25,000
Provision for taxation	25,000		
Proposed dividend	20,000		
Total	7,16,000	Total	7,16,000

[2+3+3+2+3+2]

10) From the following figures compute EVA

Profit before tax Rs 77.30 crores; Tax Rs. 4.50 crores; Accrued interest Rs. 26.23 crores; Risk free return 12.08%; Risk premium on equity 10%; Beta value of share 1.215; firm has debt of Rs 184.39 crores. It is 58% of capital employed.

11) What is trend analysis? What are the factors considered in trend analysis? Discuss advantages of using trend analysis. [3+6+6]