



**BRAINWARE UNIVERSITY**

**Term End Examination 2019 - 20**

**Programme – Master of Business Administration**

**Course Name – Business Analysis**

**Course Code – 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)

20 x 1 = 20

1. *Choose the correct alternative from the following (Answer any Twenty)*

(i) The main objective of accounting is-

- |  |   |
|--|---|
| a. To increase profit and financial strength of the business                               | b. To measure profit and financial position of the business |
| c. To communicate economic information to stakeholders of the business for decision making | d. None of the above  |

(ii) Financial statement are-

- |                       |                      |
|-----------------------|----------------------|
| a. estimates of facts | b. anticipated facts |
| c. recorded facts     | d. all of the above  |

(iii) Ideal current ratio is-

- |          |          |
|----------|----------|
| a. 1:1   | b. 2:1   |
| c. 2.5:1 | d. 0.5:1 |

(iv) Liquidity ratios are expressed as-

- |                    |                      |
|--------------------|----------------------|
| a. Pure ratio form | b. Percentage ratio  |
| c. Rate or time    | d. None of the above |

- (v) Which of the following falls under Profitability ratios?
- A) General Profitability ratios  
B) Overall Profitability ratios  
C) Comprehensive Profitability ratios
- a. A and B  
b. A and C  
c. B and C  
d. None of the above
- (vi) Gross Profit ratio is also termed as
- a. Closing stock is deducted from cost of goods sold  
b. Closing stock is added to cost of goods sold  
c. Closing stock is ignored  
d. None of the above
- (vii) Given Sales is Rs. 1,20,000 and Gross Profit is Rs. 30,000, the gross profit ratio is
- a. 24%  
b. 25%  
c. 40%  
d. 44%
- (viii) If sales is Rs. 5, 00,000 and net profit is Rs 1,20,000 Net Profit ratio is
- a. 24%  
b. 416%  
c. 60%  
d. None of the above
- (ix) Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs 6,60,000
- a. 80%  
b. 15%  
c. 25%  
d. 11%
- (x) Return on Proprietors' funds is also known as:
- a. Return on net worth  
b. Return on Shareholders' fund  
c. Return on Shareholder's Investment  
d. All of the above
- (xi) While calculating Earnings per share, if both equity and preference share capitals are there, then
- a. Preference share is deducted from the net profit  
b. Equity share capital is deducted from the net profit  
c. Both a and b  
d. None of the above

- (xii) The best ratio to evaluate short-term liquidity is:
- a. Current ratio
  - b. Working capital
  - c. Cash ratio
  - d. Debt to asset ratio
- (xiii) The equity multiplier helps creditors:
- a. Evaluate future earnings
  - b. Evaluates company's cash flows
  - c. Evaluates company's profitability
  - d. Evaluates company's lending risk
- (xiv) Cash Flow Statement is also known as
- a. Statement of Changes in Financial Position on Cash basis
  - b. Statement accounting for variation in cash
  - c. Both a and b
  - d. None of the above.
- (xv) Cash flow statement is based upon \_\_\_\_\_ while Funds Flow Statement recognizes \_\_\_\_\_.
- a. Cash basis of accounting, accrual basis of accounting
  - b. Accrual basis of accounting, cash basis of accounting
  - c. Both are based on cash basis of accounting
  - d. None of the above
- (xvi) Cash Flow Statement is prepared from
- a. Profit and loss account
  - b. Balance sheet
  - c. Additional information
  - d. All of the above
- (xvii) Cash flow from sales is calculated by
- a. 1/25 sec
  - b. 25 sec
  - c. 50 sec
  - d. 1/50 sec
- (xviii) Given salary expenses Rs.40,000, Outstanding in the beginning of the year: Rs.5,000 and outstanding at the end of the year Rs.10,000. Cash outflow on salary will be:
- a. Rs.45000
  - b. Rs.35000
  - c. Rs.55000
  - d. Rs.15000
- (xix) Acquisition and disposal of long term assets is included in
- a. Cash flow from investing activities
  - b. Cash flow from Financing activities
  - c. Cash flow from Operating activities
  - d. None of the above

- (xx) ABC Ltd had investment of Rs 68,000 as on 31.3.2013 and investment of Rs 56,000 as on 31.3.2014. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.
- |             |                      |
|-------------|----------------------|
| a. Rs.59200 | b. Rs.28800          |
| c. Rs.72800 | d. None of the above |
- (xxi) In case of other enterprises cash flow arising from interest paid should be classified as cash flow from \_\_\_\_\_ while dividends and interest received should be stated as cash flow from \_\_\_\_.
- |   |   |
|---|---|
| a. Operating activities, financing activities | b. Financing activities, investing activities |
| c. Investing activities, operating activities | d. None of the above                          |
- (xxii) Which of the following is not a cash outflow?
- |                                 |                          |
|---------------------------------|--------------------------|
| a. Increase in Prepaid expenses | b. Increase in debtors   |
| c. Increase in stock            | d. Increase in creditors |
- (xxiii) The *dividend-payout ratio* is equal to
- |  |  |
|--|--|
| a. the dividend yield plus the capital gains yield.    | b. dividends per share divided by earnings per share       |
| c. dividends per share divided by par value per share. | d. dividends per share divided by current price per share. |
- (xxiv) Retained earnings are
- |  |  |
|--|--|
| a. an indication of a company's liquidity.   | b. the same as cash in the bank                            |
| c. not important when determining dividends. | d. the cumulative earnings of the company after dividends. |
- (xxv) An acquisition is the same thing as:
- |                    |               |
|--------------------|---------------|
| a. merger          | b. spin offs  |
| c. an amalgamation | d. a takeover |

**Group – B**

(Short Answer Type Questions)

4 x 5 = 20

Answer any *four* from the following

2. Explain the concept of cross sectional analysis. 5
3. Discuss the concept of liquidity ratio. Write formula of some important liquidity ratio. 5
4. Calculate (i) EPS (ii) PE ratio and (iii) Dividend payout ratio: 5

	<b>Rs.</b>
Profit before tax	2650000
Tax rate	40%
Proposed Equity Dividend	25%
Capital employed	
10% Preference Share capital	1500000
80,00 equity shares of Rs.50 each	4000000
Current market price per equity	Rs.125

5. Mention some symptoms that indicate sickness of the firm. 5
6. Cash flow statement is superior to fund flow statement. Analyze logic behind this statement. 5
7. Highlight factors causing variation in profit 5

**Group – C**

(Long Answer Type Questions)

3 x 10 = 30

Answer any *three* from the following

8. (a) Explain the concept of financial statement. 2
- (b) Describe different documents included in financial statement. 8

9. From the following balance sheet of 2017-18 and 2018-19 prepare a comparative balance sheet and interpret 10

**Balance sheet as on 31<sup>st</sup> March**

(Rs.in 000s)

	2017-18	2018-19		2017-18	2018-19
Equity	500	700	Building	380	325
Reserve	450	370	Machinery	425	600
Debenture	250	300	Furniture	35	40
Long term loan	175	200	Other fixed assets	20	25
Bills payable	35	30	Stock	275	315
Creditors	80	105	Debtors	325	360
Other current liabilities	4	6	Bills receivable	20	30
			Cash & bank		
			Prepaid expenses	14	11
				0	5
<b>Total</b>	1494	1711	<b>Total</b>	1494	1711

10. Consider the following income statement. Prepare a common size income statement and interpret. 10

Items	2017-18 Rs. in (000)	2018-19 Rs. in (000)
Net sales	5000	7000
Miscellaneous Income	200	150
<b>Total income</b>	<b>5200</b>	<b>7150</b>
<b>Expenses:</b>		
Cost of sales	3250	5100
Office Expenses:	200	250
Selling expenses	300	450
Interest	250	300
<b>Total expenses</b>	<b>4000</b>	<b>6100</b>
Net profit	1200	1050
<b>Gross total</b>	<b>5200</b>	<b>7150</b>

11. Prepare cash flow statement of 2018-19 from the following information- Balance sheet as on 31<sup>st</sup> March 10

Liabilities	2017-18	2018-19	Assets	2017-18	2018-19
Capital (equity of Rs.10)	350000	380000	Land	90000	130000
Profit & loss A/c	60500	72000	Machinery	80000	72000
10% Debenture	70000	50000	Goodwill	60000	50000
Creditors	61000	56000	Stock	225000	232000
			Debtors	72000	68000
			Cash	14500	6600
<b>Total</b>	<b>541500</b>	<b>558600</b>	<b>Total</b>	<b>541500</b>	<b>558000</b>

Other information-

1. Dividends declared and paid during the year Rs.18000
2. Land was revalued during the year at Rs.130000 and the profit on revaluation transferred to profit and loss account.

12. Alpha limited is planning to merge with beta limited. The key values metrics of the two firms are given below: 10

	Alpha Ltd.	Beta Ltd.
Market price per share	445	272
Book value per share	174	87
Nos. of share outstanding	2500000	1050000
Market value of firm	1112500000	285600000

The synergistic impact of merger is likely to benefit both the firms. The total gains of Rs.875 lakhs are likely to accrue, in PV terms. The purchases consideration is proposed to be paid by Alpha to Beta by issuing shares in Alpha ltd to the shareholders of Beta limited. One share in Alpha Ltd for every 1.5 shares in Beta ltd. Is proposed merger going to benefit the two firms.

Compute NPV of the deal for the two companies involved in the merger.

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