**Faculty of Management**

**JamiaHamdard**

**Examination: MBA General Semester-III**

**Financial Statement Analysis (Paper Code-MBA FM 04)**

Time:3hrs Maximum Marks:75

**Attempt any 5 Question. Each question carries 15 marks**

Q.1 Prepare the cash flow statement of Matrix Ltd. for the year 2015 with the following details

Profit and loss account of Matrix Ltd.

| Particulars | 2014 | 2015 |
|---|---|---|
| Sales | 10520510 | 11564000 |
| Cost of Goods Sold | 8592000 | 9750000 |
| Gross Profit | 1928510 | 1814000 |
| Selling and General expenses | 1220000 | 1290900 |
| Depreciation | 56700 | 60000 |
| Operating Profit (PBIT) | 651810 | 463100 |
| Interest Expenses | 187500 | 228000 |
| PBT | 464310 | 235100 |
| Taxes @40% | 185724 | 94040 |
| Net Profit | 278586 | 141060 |
| Dividend payment | 0 | 74400 |

Balancesheet of Matrix Ltd.

| Assets | 2014 | 2015 |
|---|---|---|
| Cash | 172800 | 156000 |
| Sundry Debtors | 1053600 | 1206000 |
| Inventory | 2145600 | 2508000 |
| **Total Current Asset** | **3372000** | **3870000** |
| Fixed Assets | 1473000 | 1581000 |

2015

| | | |
|---|---|---|
| Less:Accumulated Depreciation | 438600 | 498600 |
| Net Fixed Assets | 1034400 | 1082400 |
| **Total Assets** | **4406400** | **4952400** |

| Liabilities | 2014 | 2015 |
|---|---|---|
| Accounts Payable | 436800 | 525600 |
| Notes Payable | 600000 | 675000 |
| Accruals | 408000 | 420000 |
| **Total Current liabilities** | **1444800** | **1620600** |
| Long term Debt | 970296 | 1273836 |
| Equity | 1380000 | 1380000 |
| Retained Earning | 611304 | 677964 |
| **Total Liabilities and Equity** | **4406400** | **4952400** |

Q.2 Prepare a Proforma Balance sheet and Profit and Loss a/c for Fortune Ltd. by percent of sales method from the following information if the expected sales for 2016 Rs.56,000

| **Assets** | **2014** | **2015** |
|---|---|---|
| Fixed Assets | 2,40,000 | 2,40,000 |
| Investments | 20,000 | 20,000 |
| Current Assets: | | |
| Cash | 2000 | 3500 |
| Debtors | 5200 | 5900 |
| Inventories | 3200 | 5600 |
| Miscellaneous Expenditure | 30,000 | 30,000 |
| | **3,00,400** | **3,05,000** |
| **Liabilities** | **2014** | **2015** |
| Share Capital: | | |
| Equity | 2,50,000 | 2,50,000 |
| Reserves and Surplus | 34,000 | 40,000 |
| Secured Loan | 6000 | 4000 |
| Bank Borrowings | 1400 | 3500 |
| Current Liabilities : | | |

| | | |
|---|---|---|
| Trade Creditors | 6000 | 5000 |
| Provisions | 3000 | 2500 |
| | **3,00,400** | **3,05,000** |

| **Particulars** | **2014** | **2015** |
|---|---|---|
| Net Sales | 40,600 | 49,900 |
| Cost of goods sold | 18,000 | 20,000 |
| Gross Profit | 22,600 | 29,900 |
| Selling expenses | 3400 | 4000 |
| General Expenses | 1300 | 1400 |
| Depreciation | 2300 | 2500 |
| Profit before interest and tax | 15,600 | 22,000 |
| Interest | 2000 | 2000 |
| Profit before tax | 13,600 | 20,000 |
| Tax @ 50% | 6800 | 10,000 |
| Profit after tax | 6800 | 10,000 |
| Dividend | 3400 | 4000 |
| Retained Earning | 3400 | 6000 |

Q.3 Answer the following question.

a.) Write a note on factors affecting the supply of information for financial statement analysis( 4 marks)

b.) What are the guidelines to be followed while using financial statement analysis. (4 marks)

c.) What is DuPont Analysis? Calculate Return on Equity for Zenith Ltd. with the following extract from its financial statement--Net profit: 12,30,000; Sales: 45,00,000; Av. Total asset: 34,00,000; Av. Equity:76,00,000 ( 4 marks)

d.) What do you mean by debt service coverage ratio?( 3 marks)

Q.4 Prepare common sized financial statement for Matrix Ltd. the financial statement of which is given in Q.1

Q.5 What do you understand by the term leverage? Calculate the Degree of operating leverage, financial leverage and total leverage for Apex Ltd. with the given data:

Price is Rs-150 per unit, variable cost is Rs- 100 per unit, Fixed cost Rs-120000, Interest is Rs. 20,000, tax rate is 50% and dividend on preference shares is Rs-10,000. Calculate DOL and DTL when the quantity is 5000 units and 6000 units resp. Also calculate DFL when the EBIT- Rs. 50,000 and EBIT-Rs. 1,00,000.

Q.6 a) Explain briefly who are the users of financial statement and why does conflictarise among different users? (7 marks)

b) Discuss the guidelines to be considered while doing financial statement analysis (4 marks)

c) State the limitations/problems of FSA (4 marks)

Q.7 Fill in the blanks of the Financial statement Of CubixPvt Ltd. for the year 2016

| **Liabilities** | **Amount(Rs.)** | **Assets** | **Amount(Rs.)** |
|---|---|---|---|
| Equity share capital | --------- | Plant and Machinery | ------- |
| Reserve and Surplus | 10,000 | Investments | ------- |
| Secured Loan | ------- | **Current assets** | |
| Liabilities and provisions | 16,000 | Cash | ------- |
| | | Inventories | 3000 |
| | | Debtors | ------- |
| | | Loans and advances | 2000 |
| | ---------- | **Total** | **80,000** |

| **Particulars** | **Amount Rs.** |
|---|---|
| Net Sales | 20,000 |
| COGS | --------- |
| Gross Profit | --------- |
| Operating Expenses | ---------- |
| Profit before interest and tax | ---------- |
| Interest | ---------- |
| Profit before tax | ---------- |
| Tax @ 40 % | ---------- |
| Profit after tax | --------- |

Other information:

1. Inventory turnover ratio= 5.4 times, Inventory for 2015 was Rs.2400.

2. The gross profit margin was 32.5% while net profit margin is 15.75%

3. Interest coverage ratio is 8 times, while the current ratio was 1.25 times and cash ratio was 0.5 times

4. Fixed asset turnover ratio 0.4 , while debt equity ratio was 1.5 times

Q.8 Answer the following questions. for Fortune Ltd. (Q.2)

a) Calculate debt asset ratio for the year 2014 and 2015 (2 marks)

b) Calculate Average collection period for the year 2015. How much should the debtors be reduced to, if the management wish to have an average collection period of 30 days only? ( 5 marks)

c) Calculate Return on Total assets and return on Equity for the year 2015( 3 marks)

d) Calculate current ratio for the year 2015. How much can the firm borrow on a short term basis so that its current ratio does not fall below 5 times?( 5 marks)