



**PRESIDENCY UNIVERSITY,  
BENGALURU**

**SCHOOL OF MANAGEMENT**

**MID TERM EXAMINATION**

**Odd Semester:** 2018-19

**Date:** 25 October 2018

**Course Code:** FIN 302

**Time:** 2 Hours

**Course Name:** Financial Statement Analysis

**Max Marks:** 40

**Branch & Sem:** MBA III Sem

**Weightage:** 20%

**Instructions:**

- (i) **All the parts of the question paper are compulsory**

**Part A**

Answer **all** the Questions. **Each** question carries **four** marks. (3x4=12)

1. Which are the ratios relevant for analyzing the long term solvency of a business?
2. Explain the concept of financial leverage with examples.
3. Describe the purpose of common size statements for financial analysis.

**Part B**

**Each** question carries **twelve** marks (12 marks)

4. Conduct a Du Pont Analysis and write a report interpreting the comparison of results for RNS & PKC Industries from the following statements:

<b>Balance Sheet</b>	<b>RNS</b>	<b>PKC</b>
Non-Current Assets	6,00,000	7,50,000
Current Assets	2,50,000	325,000
Current Liabilities	1,50,000	210,000
Share Capital	1,00,000	3,00,000
Reserves & Surplus	80,000	1,65,000
Bank Loan	5,20,000	4,00,000
<b>Income Statement</b>		
Sales	46,00,000	62,00,000
Cost of Goods Sold	26,00,000	31,00,000
Operating Expenses	11,20,000	17,60,000
Interest	1,50,000	2,75,000
Tax	3,30,000	4,80,000

5. Answer the Question. Each Question carries **sixteen** marks. (16 marks)

**Prisma Industries**

**Income Statement for the year ending 31 March 2017 and 2018**

	2017	2018
Sales	2020	3280
Cost of Sales	1600	1530
Administration cost	220	245
Distribution cost	80	115

Opening Inventory as on 1<sup>st</sup> April 2016 Rs 2,50,000

<b>Balance Sheet as on</b>	<b>31/3/2017</b>		<b>31/3/2018</b>	
<b>Non current Assets</b>				
Buildings	500		500	
Plant & Machinery	200		495	
Equipment	<u>120</u>	820	<u>100</u>	1095
<b>Current Assets</b>				
Inventory	120		250	
Receivables	230		166	
Cash & Bank balance	<u>40</u>	390	<u>4</u>	420
<b>Current Liabilities</b>				
Creditors	(150)		(160)	
Bank Overdraft			(35)	
Share Capital	900		900	
Reserves & Surplus	160		420	

**Question:**

**(a)** Use the following ratios to compare the financial performance for the year ending 2017 and 2018 (9 marks)

- (i) Gross profit ratio
- (ii) Net profit ratio
- (iii) Return on capital employed
- (iv) Fixed asset turnover
- (v) Inventory turnover ratio
- (vi) Average collection period
- (vii) Cash Conversion Period
- (viii) Current ratio
- (ix) Liquid ratio

**(b)** Write a report giving your interpretations on the results for the year and the comparison with the previous year. (7 marks)



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BENGALURU**

**SCHOOL OF MANAGEMENT**

**END TERM FINAL EXAMINATION**

**Odd Semester:** 2018-19

**Course Code:** FIN 302

**Course Name:** Financial Statement Analysis

**Programme & Sem:** MBA & III Sem

**Date:** 27 December 2018

**Time:** 3 Hours

**Max Marks:** 80

**Weightage:** 40%

**Instructions:**

(i) **Answer all the questions**

**Part A**

Answer **all** the Questions. **Each** question carries **five** marks. (4Qx5M=20)

1. Describe the steps involved in carrying out projection of cash flows
2. How do the tax burden and interest burden factors in Dupont Analysis affect the Return on Equity?
3. What is the meaning and importance of prospective analysis?
4. Explain the importance of Sensitivity Analysis for making financial projections.

**Part B**

Answer **all** the Questions. **Each** question carries **ten** marks. (3Qx10M=30)

5. The two companies A and B have the same Return ofn Equity 7%. However, the Operating Margin for A is 15% compared to 18% for B. Discuss the factors contributing to the difference and analyses the impact on the performance evaluation of the two companies from the viewpoint of stakeholders.
6. Describe the factors and assumptions that are relevant for making financial projections of the balance sheet with examples.
7. Describe the pros and cons of the Market and Income based approaches to Business valuation.

**Part C**

Answer **both** the Questions. **Each** question carries **fifteen** marks. (2Qx15M=30)

8. From the following Balance sheet and Income Statement, conduct the 5 Step Dupont Analysis and prepare a detailed report on the findings and recommendations as a Financial Analyst.

**BALANCE SHEET**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current Assets	45,000	38,000
Non Current Assets	120,000	85,000

## LIABILITIES

Current Liabilities	25,000	20,000
Share Capital	35,000	43,000
Retained Earnings	15,000	7,000
Long Term Loans	90,000	53,000

## INCOME STATEMENT

	2017	2016
Sales or Revenues	2,00,000	1,50,000
Less: Cost of Goods Sold	80,000	60,000
Gross Profit	1,20,000	90,000
Less: Operating Expenses	70,000	50,000
EBITDA	50,000	40,000
Less: Depreciation	3,000	4,000
EBIT or Operating Profit	47,000	36,000
Less: Interest Expense	5,000	3,000
EBT or Net Profit Before Taxes	42,000	33,000
Less: Taxes (30%)	14,000	11,000
Net Income	28,000	22,000
Dividends Paid	14,000	11,000
Addition to Retained Earnings	14,000	11,000

9. Prepare the Financial forecast Income Statement projection for the year 2018 based on the information given below. Provide the assumptions and drivers underlying the financial projections.

### Income Statement

	2017	2016
Sales or Revenues	5,00,000	4,00,000
Less: Cost of Goods Sold	1,75,000	1,25,000
Gross Profit	3,25,000	2,75,000
Less: Operating Expenses	1,80,000	1,50,000
EBITDA	1,45,000	1,25,000
Less: Depreciation	23,000	25,000
EBIT or Operating Profit	1,22,000	1,00,000

Less: Interest Expense	10,000	12,000
EBT or Net Profit Before Taxes	90,000	1,10,000
Less: Taxes (30%)	27,000	33,000
Net Income	63,000	77,000
Dividends Paid	27,000	35,000
Addition to Retained Earnings	36,000	42,000

### **BALANCE SHEET**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash	2,00,000	4,00,000
Short-Term Investments	7,00,000	6,00,000
Accounts Receivable	20,00,000	15,00,000
Inventory	26,00,000	23,00,000
Other Current Assets	10,00,000	9,00,000
<b>Total Current Assets</b>	<b>65,00,000</b>	<b>57,00,000</b>
Long-Term Assets	50,00,000	45,00,000
<b>Total Assets</b>	<b>115,00,000</b>	<b>102,00,000</b>
<b>Liabilities</b>		
Accounts Payable	10,00,000	7,00,000
Short-Term Debt	25,00,000	20,00,000
<b>Total Current Liabilities</b>	<b>35,00,000</b>	<b>27,00,000</b>
Long-Term Debt	30,00,000	30,00,000
<b>Total Liabilities</b>	<b>65,00,000</b>	<b>57,00,000</b>
<b>Total Equity</b>	<b>50,00,000</b>	<b>45,00,000</b>
<b>Total Liabilities and Equity</b>	<b>115,00,000</b>	<b>102,00,000</b>

