

**MBA - MARKETING/FINANCE/HR/  
PRODUCTION & OPERATIONS  
MANAGEMENT (MBABM)**

**Term-End Examination**

**December, 2015**

**MBM-008 : FINANCIAL STATEMENT ANALYSIS**

*Time : 3 hours*

*Maximum Marks : 100*

- Note :** (i) *Section-I is compulsory, Section-I carries 30 marks.*
- (ii) *Section-II, Answer any five questions. Section-II carries 70 marks.*
- (iii) *Assume suitable data wherever required.*
- (iv) *Draw suitable sketches wherever required.*
- (v) *Figures to the right indicate maximum marks.*

**SECTION - I**

1. What are the three fundamental accounting assumptions recognised by Accounting Standard (AS) 1 ? Explain with the help of suitable examples. 10
2. Calculate inventory value at the end of the period using LIFO and FIFO methods on the basis of following data : 10

Date	Purchase	Date	Sales
01-03-15	400 units at ₹ 30	07-03-15	130 units at ₹ 35
10-03-15	200 units at ₹ 40	16-03-15	350 units at ₹ 45
14-03-15	900 units at ₹ 50	26-03-15	600 units at ₹ 60

Assume beginning inventory was zero.

3. ABC Co. acquired an asset on 01<sup>st</sup> April 2011 at a cost of ₹ 2,50,000, which has a salvage value of ₹ 30,000. The useful life of the asset is 4 years. Give the amount of depreciation and book value of the asset for the years 2011-12, 2012-13, 2013-14 and 2014-15. Use :
- SLM method
  - Sum-of-the-years'-digits method and
  - Double declining balance depreciation method.

### SECTION - II

4. Rajdeep Enterprises has furnished its financial statement as under : Amt. in ₹

	₹ 2015	₹ 2014
Assets :		
Cash	1,50,000	1,00,000
Accounts Receivable	2,50,000	2,00,000
Inventory	7,40,000	8,00,000
Fixed Assets	10,30,000	6,50,000
Liabilities :		
Accounts Payable	4,70,000	4,50,000
Dividends Payable	10,000	15,000
Mortgage	5,35,000	5,85,000
Loan	3,05,000	0
Common Stock	5,00,000	4,00,000
Retained Earning	3,50,000	3,00,000

Calculate the following :

- The cash flow from operations using indirect method.
- Cash Flow from investing
- Cash Flow from financing
- Total Cash Flow

5. Compute Diluted Earnings Per Share : 14

Net profit for the current year	1,00,00,000
No. of equity shares outstanding	50,00,000
Basic earnings per share	2
No. of 12% convertible debentures of 100 each	1,00,000
Each debenture is convertible into 10 equity shares	
Interest expense for the current year	12,00,000
Tax relating to interest expense (30%)	3,60,000

6. (a) What is a lease ? 5  
 (b) Who are the parties to a lease ? 4  
 (c) What are the types of lease ? 5

7. From the following information, prepare a summarised Balance Sheet as at 31<sup>st</sup> March, 2015. 14

Working Capital	₹ 2,40,000
Bank overdraft	₹ 40,000
Fixed Assets to Proprietary ratio	0.75
Reserves and Surplus	₹ 1,60,000
Current ratio	2.5
Liquid ratio	1.5

8. "The most relevant concept of income in this broad social responsibility concept of the enterprise is the value added concept." Elucidate the value added statement reporting to many interested group. 14

9. The Capital Structure of Define Ltd. is as under : 14

- 80,00,000, Equity Shares of ₹ 10 each = ₹ 800 lakhs.
- 1,00,000, 12% Preference Shares of ₹ 250 each = ₹ 250 lakhs.
- 1,00,000, 10% Debentures of ₹ 500 each = ₹ 500 lakhs.
- Terms Loan from Bank @ 10% = ₹ 450 lakhs.  
The Company's Statement of Profit and Loss for the year showed PAT of ₹ 100 lakhs, after appropriating Equity Dividend @ 20%.

The Company is in the 40% tax bracket. Treasury Bonds carry 6.5% interest and beta factor for the Company may be taken as 1.5. The long run market rate of return may be taken as 16.5%. Calculate Economic Value Added.

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