

M.B.A. DEGREE (FT) II SEMESTER EXAMINATION, MAY 2006

FINANCIAL ANALYSIS
(Old scheme)

Time: 3 Hours

Maximum marks : 50

(Answer ALL questions)
(All questions carry EQUAL marks)

(5x 10 = 50)

I. A. Explain the need for interpretation and analysis of financial statement.

OR

B. Explain the different tools and techniques of financial analysis.

II. A. Explain the ratios you would calculate to analyse the solvency, profitability and activity position of a firm.

OR

B. Using the following information, complete the balance sheet give below:

Total debit to net worth	0.5 to 1
Turn over of total assets (based on year-end figures)	2
Gross profit	30%
Average collection period (based on 360 day year)	40 days
Inventory turn over (based on cost of goods sold and year-end inventory)	3 times
Acid test ratio	0.75 to 1

Balance Sheet

Liabilities	F.s.	Assets	Rs.
Notes and accounts payables	Cash
Share capital	2,00,000	Accounts receivable
Retained earnings	3,00,000	Inventory
		Plant and equipment
Total		Total	

III. A. Describe the procedure followed for the preparation of fund flow statement. Explain the utility of fund flow analysis.

OR

(Turn over)

B. Balance sheets of AUA on 1.1.2005 and 31.12.2005 were as follows:

Liabilities	Rs.		Assets	Rs.	
	2004	2005		2004	2005
Share capital	3,00,000	4,00,000	Cash	12,000	14,000
Profit and loss A/c.	1,00,000	1,20,000	Bills receivable	10,000	8,000
Loan from bank	2,00,000	2,50,000	Debtors	28,000	30,000
Creditors	55,000	30,000	Stock	25,000	30,000
Bills payables	30,000	12,000	Long term investments	30,000	25,000
			Machinery	80,000	55,000
			Land	2,00,000	2,50,000
			Building	3,00,000	4,00,000
Total	6,85,000	8,12,000	Total	6,85,000	8,12,000

During the year machine costing Rs.10,000/- (accumulated depreciation Rs.3,000/-) was sold for Rs.5,000/-. The provisions for depreciation against machinery as on 1.1.2005 was Rs.25,000/- and on 31.12.2005 Rs.40,000/-. Dividend paid during the year amounted to Rs.20,000/-. Prepare cash flow statement.

IV. A. Enumerate the managerial uses of break even analysis.

OR

B. A company has just purchased patent rights to a new milling process for Rs.60,000/-. The patents are to run for a period of 3 years, after which they are to be renewed. The future earnings after taxes are given below:

Years	EAT
1	Rs.10,000/-
2	Rs.10,000/-
3	Rs.10,000/-

Compute the following:

- (i) Pay back period
- (ii) Average rate of return
- (iii) Internal rate of return
- (iv) Net present value at 15% rate of discount

V. A. What are the basic strategies of efficient cash management? Illustrate with suitable examples the effects of these on the operating cash requirements of a firm.

OR

B. Justify the need for speedy receivables collection. In this context briefly explain concentration banking and lock box system.
