VPM's DR VN BRIMS, Thane

Programme: MMS (2017-19) (Finance)
Third Semester Examination October 2018

Subject	Financial Modelling		
Roll No.		Marks	60 Marks
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	4	Date	1.11.2018

- Q 1 is supposed to be solved in excel sheet. The Rest 4 questions are to be solved in answer sheet.
- Keep the answers brief and to the point.
- For Question 2 onwards only the first four solved questions will be evaluated. Please don't solve all the questions.
- Question 2 onwards for sub questions only the first two sub questioned answered will be evaluated. Please don't solve all the questions.
- Q1) 20 Marks (Compulsory) Please answer in the excel sheet.

Attempt Any FOUR from the Remaining SIX Questions Q2) Any two from (a) or (b) or (c) (5x2) = 10 Marks

a) Given below is the Balance Sheet of ABC Ltd for the year ended 31st March, 2018.

Prepare a Common Size Balance Sheet for ABC Ltd and report comments on standards/norms followed in Indian companies Act.

lowed in indian companies Act.		
Liabilities		
Capital (1,000 Shares of f		
Reserves		
Equity (Total Shareholder		
Debt		

b) Given below is the Cash Flow Statement for ABC Ltd for the year ended 2018. Prepare a Common Size Cash Flow Statement

Size Cash Flow Statement		
	2018	
Cash Flow from Op-		
eration		
Profit before Tax/EBT	16000	
Add: Depreciation	1300	
Changes in working		
Capital	-1000	
Less: Taxes	4800	
CFO	11500	
Cash flow from In-		
vesting		
Changes in Fixed As-		
sets	-3000	
CFI	-3000	
Cash flow from Fin-		
ancing		
Dividend	-500	
Changes in Debt	-500	
Changes in Equity	0	
CFF	-1000	
Net Change in Cash	7500	
Cash at the beginning	17,370	
Ending Cash Balance	24,870	
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c) Given Below is the P&L Account for ABC Corporation for the year ended 31st March 2018. Prepare a Common Size Profit & Loss Account and comment on standards/norms followed.

	2018
Sales	52,000
Less: COGS	32,000
Gross Profit	20,000
Administrative Expenses	2,000
Rent	600
EBITDA	17,400
Depreciation	1,300
EBIT	16,100
Less: Interest	100
EBT	16,000
Tax @ 30%	4,800
PAT	11,200
Dividend	500
Transfer to Reserves	10,700

Q3) Any two from (a) or (b) or (c) ——— (5x2) = 10 Marks

a) Given below are financials of Ramson Ltd. Please calculate RoE using Du Pont for the year 2018. (Use Year Ending Figures)

	2018
Net Profit	600
Total Sales	7000
Total Assets	5000
Total Equity	2500

- **b)** What will be the sustainable growth rate for Ramson Ltd (whose financial details are given in Q3 (a). above) without changing its profitability, asset efficiency (denoted by Asset Turnover) and Leverage. And give reasons for your answer.
- c) What is 'owners Earnings'? Describe in your own words.

Q4) Any two from (a) or (b) or (c) ——— (5x2) = 10 Marks

- a) Select and write the right option from given MCQs in the answer sheet:
 - a. WhatsApp messaging app will get its 'Moat' or Competitive Advantage from

i. Network Effect

ii. Brand

iii. Distribution Network

b. Other things being equal, If

- RoCE > after tax cost of debt, adding leverage or debt will result in RoE,
 - i. Increasing
 - ii. Decreasing
 - iii. No change
- **b)** What will be the drivers of revenue for a Two-wheeler manufacturer?
- c) What is 'Operating Leverage' in a manufacturing business?

Q5) Any two from (a) or (b) or (c) ——— (5x2) = 10 Marks

a) Given below is the Balance Sheet of RK Ltd for the year ended 31st March, 2018. Prepare a Common Size Balance Sheet for RK Ltd

Liabilities	2018
Capital (1,000 Shares	
of face value of Rs. 10)	10,000
Reserves	27,320
Equity (Total Share-	
holders Fund)	37,320

Debt	1000
Total	38,320
Assets	2018
Fixed Assets	13,000
Less: Depreciation	3,550
NFA	9,450
Current Assets	8,000
Less: Current Liabilit-	
ies	4,000
Net Working Capital	4,000
Cash	24,870
Total	38,320

b) Given below is the Cash Flow Statement for RK Ltd for the year ended 2018. Prepare a Common Size Cash Flow Statement

Cash Flow Statement	2018
Cash Flow from Operation	
Profit before Tax/EBT	28000
Add: Depreciation	2000
Changes in working Capital	-1000
Less: Taxes	4500
CFO	24500
Cash flow from Investing	
Changes in Fixed Assets	5000
CFI	5000
Cash flow from Financing	
Dividend	-500
Changes in Debt	1000
Changes in Equity	0
CFF	500
Net Change in Cash	7500
Cash at the beginning	17,370
Ending Cash Balance	24,870

c) Given Below is the P&L Account for RK Corporation for the year ended 31st March 2018. Prepare a Common Size Profit & Loss Account

Sales	
Less: COGS	
Gross Profit	
Administrative Expenses	
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Q6) Any two from (a) or (b) or (c) ——— (5x2) = 10 Marks.

a) Given below are financials of JAK Ltd. Please calculate RoE using Du Pont for the year 2016,2017 and 2018. (Use Year Ending Figures)

	2016	2017	2018
Net Profit	500	500	500
Total Sales	5000	5000	5000
Total Assets	5000	7500	10000
Total Equity	2500	2500	2500

- b) In the Question above after having calculated the RoE using Du-Pont, is the performance of JAK Ltd improving or deteriorated. Also, evaluate the quality of RoE Performance.
- c) Select the correct MCQ: Justify the choice Buffett has given 3 classification of Business Great, Good and Gruesome.
 - 1. A business which doesn't require much capital to grow has very high RoCE. This business will be:
 - a. Great
 - b. Good
 - c. Gruesome
 - A business which has low RoCE and needs more capital to earn the similar returns i.e has extremely poor Incremental Return on Capital Employed. This business will be:
 - a. Great
 - b. Good
 - c. Gruesome
- Q7) Any two from (a) or (b) or (c) ——— (5x2) = 10 Marks.
 - a) What will be the drivers of revenue for a Hotel Business?
 - b) What will be the drivers of revenue for an Airline company?
 - c) What will be the similarities in the business of a Hotel, Airline and Hospital? (Think in terms of Drivers of revenue and inherent Capital intensity of Businesses, Operating Leverage). Describe in your own words.