

Roll No.

Analysis of Financial statements

Total No. of Printed Pages: 3

Total No. of Questions : 10

Maximum Marks : 60 marks

Duration (hrs.) : 3 HRS

Note : Answer the following questions:

1. Preparation of Cash flow Statement and Depreciation Accounting forms the part of which accounting standard? 1 mark
2. What are the differences between Indian Accounting Standard and US GAAP? 3 mark
3. Give two examples of Investing and Financing Activity in Cash Flow Statement. 2 mark
4. State the relationship between 3 activities of cash flows and the life cycle state of the company, also illustrate the status of revenue and net income in it. How the quality of income is analyzed to prove the firm is healthy or not? 8 mark
5. The following data has been extracted from the annual accounts of the KSBS Co. Ltd.

PARTICULARS	AMOUNT (Rs)
Share Capital	80,00,000
General Reserve	50,00,000
Investment Allowance Reserve	5,00,000
12% Mortgage loan	30,00,000
Sundry Creditors	12,00,000
Profit Before Tax	30,00,000
Provision for Taxation	8,00,000
Proposed Dividend	10,00,000

From the above details, calculate Return on Capital Employed (ROCE) and State its utility. 4 mark

6. (a) What is merger? What is the principle economic rational of a merger? What is the cost and benefit of merger when firm A is making capital investment decision and firm B is making capital divestment decision if :
- (i) compensation is paid in cash
- (ii) compensation paid in the form of stock. 8 mark

OR

(b) What is merger? What is the principle economic rational of a merger? What are the steps to be followed under the legal procedure of merger? 8 mark

7. The Profit and loss account and Balance sheet of X Ltd. for 2 years are given below: 12 mark

Profit and Loss Account	(Rs. in millions)	
PARTICULARS	YEAR 1	YEAR 2
Net sales	800	916
Income from marketable securities	-	12
Non- operating income	-	32
Total income	800	960
Cost of good sold	420	500
Selling and administration expenses	140	164
Depreciation	60	72
Interest expense	60	64
Total cost and expenses	680	800
PBT	120	160
Tax provision	36	48
PAT	84	112
Dividend	48	48
Retained earnings	36	64

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Balance Sheet		(Rs. in millions)	
PARTICULARS	YEAR 1	YEAR 2	
Equity capital	360	360	
Reserves and surplus	196	260	
Debt	476	516	
Total	1032	1136	
Fixed assets	700	760	
Investments	80	80	
Net current assets	252	296	
Total	1032	1136	

The company is in the 30% tax bracket. Calculate the following for year 2:

- a. NOPLAT
 - b. ROIC
 - c. Net investment
 - d. Growth rate
 - e. FCFF
 - f. FCFE
8. Write a short note on any three: 12 mark
- a. Manipulation of the bottom line.
 - b. Stocks split and Buyback of shares.
 - c. Managing productivity of corporate capital.
 - d. Deferred taxes and Minority interest.
 - e. Du-Pont Analysis.
9. How does EBIT – EPS analysis and ROI- ROE analysis help the finance manager in deciding the appropriate capital structure to the firm so as to get a picture of the consequences of the alternative financing methods? 6 mark
10. What are the parameters that help in determining the Composite Index for measuring Productivity of corporate capital? Give relevant formulas for each parameter. 4 mark