

VPM's
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Programme: MMS (2014-16)
Second Semester (Finance) Examination April 2016

Subject	Analysis of Financial Statement		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	4	Date	23/04/2016

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

Please refer to the balance sheet attached at the end.

- Explain the Minority interest shown on the Equities and Liabilities side of the balance sheet
- What does deferred tax liability of 12.05 crs indicate? When does it appear in the balance sheet.
- Calculate quick ratio of Emami Ltd and comment on the same.

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

Free Cash Flow Yield Comparison (\$000)				
Free Cash Flow Yield Calculations (ttm)	Apple (AAPL) as of 27-June-2009	Fluor (FLR) as of 30-June-2009	Cisco (CSCO) as of 25-July-2009	General Electric (GE) as of 30-June-2009
Total Cash flow from Operating Activities	\$11,344,000	\$649,484	\$9,897,000	\$36,064,000
Capital Expenditures	\$1,088,000	\$293,107	\$1,005,000	\$12,405,000
Free Cash Flow	\$10,256,000	\$356,377	\$8,892,000	\$23,659,000
Market Capitalization (21-Sep-2009)	\$164,600,000	\$9,920,000	\$136,920,000	\$177,570,000
Free Cash Flow Yield using Market Cap	6.23%	3.59%	6.49%	13.32%
Free Cash Flow Ratio using Market Cap	16.05	27.84	15.40	7.51
Enterprise Value (21-Sep-2009)	\$141,520,000	\$8,110,000	\$110,770,000	\$637,090,000
Free Cash Flow Yield using Enterprise Value	7.25%	4.39%	8.03%	3.71%
Free Cash Flow Ratio using Enterprise Value	13.80	22.76	12.46	26.93
Trailing PE Ratio (21-Sep-2009)	32	13.4	22.6	13
Forward PE Ratio (21-Sep-2009)	26.7	15.5	15.6	18.4

- Explain the concept of free cash flow
- Based on the above table analyze which stock is performing better based on Free cash flow and Market capitalization.
- Comment on Trailing and Forward P/E ratio

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

Veera Ltd is intending to acquire Laxman Ltd (by merger) and the following details of both companies are provided below.

Number of Equity Shares	10,00,000	6,00,000
Profit After Tax(PAT)	50,00,000	18,00,000
Market value per share		42 28

a) What is the present EPS of both companies? If the merger transaction takes place, what would be the new EPS for Veera Ltd, assuming that the merger takes place through exchange of shares and exchange ratio is based on current market price?

b) What should be exchange ratio if Veera Ltd wants to ensure the same earnings to its shareholders as before the merger takes place?

c) Explain slum sale in detail?

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

	Notes	2013 USD	2012 USD
Revenue	16	120,000	100,000
Cost of Sales	17	(65,000)	(55,000)
Gross Profit		55,000	45,000
Other Income	18	17,000	12,000
Distribution Cost	19	(10,000)	(8,000)
Administrative Expenses	20	(18,000)	(16,000)
Other Expenses	21	(3,000)	(2,000)
Finance Charges	22	(1,000)	(1,000)
		(15,000)	(15,000)
Profit before tax		40,000	30,000
Income tax	23	(12,000)	(9,000)
Net Profit		28,000	21,000

(a) Calculate Gross margin and Net margin ratio.

(b) Explain the concept of distribution cost.

(c) Income statement is prepared based on accrual system of accounting- Comment.

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

(a) E1 -60, D1- 40, Ke- 20% g- 10% calculate justifies leading P/E ratio. (Also comment on if growth, Ke or payout ratio increases what will be the impact on other variables ?

(b) If trading at \$109.69, its EPS (TTM) is 8.66 and Industry P/E is 15.00 the calculate its intrinsic value and comment on whether Apple is over valued or under valued and give possible justification.

(c) ABC Co. has current assets of \$50,000 and total assets of 150,000. ABC has current liabilities of 30,000 and total liabilities of \$80,000. What is the amount of ABC's owner's equity?

Q6) Any two _____ **(5x2) = 10 Marks**

- a) Types of mergers
- b) Goodwill on Consolidation
- c) Right issue
- d) Economic Value Added

Q7) Any two from _____ **(5x2) = 10 Marks**

Cash Flow of Infosys	----- in Rs. Cr. -----				
	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit/Loss Before Extraordinary Items And Tax	16,798.00	14,002.00	12,274.00	11,096.00	8,821.00
Net CashFlow From Operating Activities	7,955.00	9,148.00	6,942.00	5,955.00	4,270.00
Net Cash Used In Investing Activities	665.00	-2,307.00	-2,824.00	565.00	3,235.00
Net Cash Used From Financing Activities	-4,961.00	-3,177.00	-3,319.00	-2,298.00	-3,642.00
Foreign Exchange Gains / Losses	-37.00	34.00	45.00	60.00	5.00
Adjustments on Amalgamation / Merger / Demerger / Others	0.00	0.00	0.00	110.00	0.00
Net Inc/Dec In Cash And Cash Equivalents	3,622.00	3,698.00	844.00	4,392.00	3,868.00
Cash And Cash Equivalents Begin of Year	24,100.00	20,402.00	19,557.00	15,165.00	11,297.00
Cash And Cash Equivalents End Of Year	27,722.00	24,100.00	20,401.00	19,557.00	15,165.00

(a) Analyze the above Cash Flow statement of Infosys.

(b) How can a company increase their cash flow from operations activity

(c) What are free cash flows?

Account	2019	2018	2017	2016
Assets				
Current assets				
Cash and cash equivalents	1,234,567	1,123,456	1,012,345	901,234
Accounts receivable	2,345,678	2,234,567	2,123,456	2,012,345
Inventory	3,456,789	3,345,678	3,234,567	3,123,456
Prepaid expenses	456,789	445,678	434,567	423,456
Other current assets	567,890	556,789	545,678	534,567
Non-current assets				
Property, plant, and equipment	10,123,456	10,234,567	10,345,678	10,456,789
Intangible assets	1,234,567	1,345,678	1,456,789	1,567,890
Other non-current assets	234,567	245,678	256,789	267,890
Liabilities				
Current liabilities				
Accounts payable	1,234,567	1,345,678	1,456,789	1,567,890
Short-term debt	2,345,678	2,456,789	2,567,890	2,678,901
Other current liabilities	345,678	356,789	367,890	378,901
Non-current liabilities				
Long-term debt	5,678,901	5,789,012	5,890,123	5,901,234
Other non-current liabilities	678,901	689,012	690,123	691,234
Equity				
Common stock	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings	12,345,678	12,234,567	12,123,456	12,012,345
Other equity	123,456	134,567	145,678	156,789