***Roll No.* ____________________**

(Do not write anything on question paper except Roll No.)
[This paper consists of TWO Pages]

Jagan Institute of Management Studies

End-Term Examination, September-October, 2017

Trimester IV – PGDM (IB) 2016-18

Financial Statement Analysis & Credit Appraisal

ET_IB_FSACA_2809

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 **a)** The Final accounts of Borosil Glass Ltd. for 5 yrs are given in Exhibit A & B. The share price of the company jumped from ₹ 65/- in Sept 2013 to ₹ 970/- in Sept 2011. Using DuPont analysis, ascertain the reasons for this sharp jump in the share price of the company. **25**

Q 2 **a)** Attempt the following:
Minden Co has current assets of \$180,000 (cash: \$20,000, accounts receivable: \$70,000, inventory: \$90,000), and long-term assets that had cost \$400,000, with accumulated depreciation to date of \$180,000. Sales were \$500,000, and operating profit was \$50,000. Tax was \$20,00 and interest paid was \$10,000. a dividend of \$10,000 was paid to the common shareholders. There are 1,000 shares in issue. The share is quoted at \$ 240/- at the stock exchange. Calculate its EPS and P/E ratio.

b) From the following details available, prepare balance sheet of Dimpy & Co. as on 31st March 2006 and compute proprietary funds.

i) Net worth turnover ratio (on cost of sales) = 2
ii) Fixed assets turnover ratio (on cost of sales) = 4
iii) Gross profits turnover ratio = 20%
iv) Creditors velocity = 73 days
v) Debtors velocity = 2 months
vi) Stock velocity = 6

Reserves and surplus amount to Rs. 10,000. Closing stock was Rs. 5,000 more than opening stock. Gross profit was Rs. 60,000.
You can make the necessary assumption, where required. **10**

Q 3 Explain five major limitations of Financial statement Analysis **10**

Q 4 From the following information of Cherry & Cherry Company Ltd., prepare the balance sheet and compute the return on capital employed (ROCE), Return on Total Assets
(ROTA) and Return on Equity (RoE)

	₹	
Current Assets	1,00,000	
Investments in Treasury Bonds	1,00,000	
Fixed Assets	5,00,000	
Sales	5,00,000	
Cost of Goods Sold	3,00,000	
10% Debentures	1,00,000	
Income from Treasury Bonds	10,000	
Interest on Debentures	10,000	
10% Preference Share Capital	1,00,000	
Equity Share Capital	2,00,000	
Capital Reserve	1,00,000	
Provision for Tax at 30% of Net Profits		**10**

Q 5 Do companies window dress their balance sheets? Reasons and methods of window dressing the final accounts. **10**

Q 6 What are the various mandatory and non-mandatory disclosures in an annual report of a company? What is the importance of such disclosures for different users of annual reports? **10**

Q 7 Attempt any **TWO** of the following: (Not more than 100 words for each part)

a) Leverage Buyout is the cheapest and the best strategy to buy a company. Do you agree with the statement? Give reasons for your answer and discuss the financing strategy used in first LBO acquisition in India.

b) In most text books, Ideal current ratio should be 2:1 and ideal debt equity ratio should be 1.6:1. Do you agree with the ideal ratio concept? Give reasons for your opinion.

c) Is it possible to predict bankruptcy of a company? Which matrix, if used consistently can help in such identification? Give examples where such matrix has successfully identified bankruptcy of a company. **15**

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