FINAL EXAMINATION

December 2013

P–20(FABV)
Syllabus 2012

Financial Analysis & Business Valuation

Time Allowed: 3 Hours — Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION A

Answer **Question No. 1** *and* **Question No. 2** *which are compulsory carrying 15 marks each and* **any two** *from the rest in this section.*

1. (a) Jenex Ltd. reported net profit for the year ending 31st March, 2013 as under: 6

		₹
Sales		10,00,000
Operating Expenses (excluding depreciation)	6,80,000	
Depreciation	84,000	7,64,000
Net Profit before tax		2,36,000
Extraordinary gains		24,000
		2,60,000
Provision for Tax (@) 40% (including surcharge and education cess, if any)		1,04,000
Net Profit after Tax		1,56,000

Additional information are given below:

(i) Operating expenses include ₹ 12,000 being loss on sale of machinery.

(ii) Actual taxes paid for the year 2012-13 was ₹ 88,000

(iii) Following are the balances of current items:

	31.03.2012	31.03.2013
Book—Debts	50,000	60,000
Inventories	50,000	44,000
Creditors	30,000	36,000

You are required to calculate cash flows from operating activities of Jenex Ltd.

(b) On 1st September, 2012, Rama Ltd. held 60% of the ordinary share capital of its only subsidiary Krishna Ltd. The consolidated equity of the group at that date was ₹ 5,76,600, of which ₹ 1,27,000 was attributable to the minority interest.

On 28th February 2013 exactly halfway through the financial year, Rama Ltd. bought a further 20% of the ordinary share capital of Krishna Ltd. In the year ended 31st August, 2013, Rama Ltd.'s profit for the period were ₹ 98,970 and Krishna Ltd.'s were ₹ 30,000. Rama Ltd. paid a dividend of ₹ 40,000 on 1st July, 2013. There were no other movements in equity. It can be assumed that profits accrue evenly throughout the year.

Prepare a consolidated statement of changes in equity for the Rama Ltd. group for the year ended 31st August, 2013. 9

2. The following are the income statements of A Ltd. for the years ended 31.03.2012 and 31.03.2013:

Particulars	31.03.2012 ₹	31.03.2013 ₹
Net Sales	1,70,000	1,90,400
Less: Cost of goods sold	1,05,000	1,20,000
Gross Profit	65,000	70,400
Administrative Exps.	13,200	14,960
Selling Exps:		
Advt. Exps.	3,000	4,000
Other Selling Exps.	40,800	41,800
Operating Profit	8,000	9,640
Other Incomes	6,400	9,200
Other Exps.	6,800	4,800
Profit before tax	7,600	14,040
Income Tax	3,800	6,200
Profit after tax	3,800	7,840

You are required—

(i) To prepare a comparative income statement. 9

(ii) To comment on the performance of the company supported by your analysis. 6

3. Comment on the financial state/position of a company if it has following cash flow patterns: (each pattern is independentof the other) 2×5=10

Cash Flow Patterns	Net Cash flows from Operating Activities	Net Cash flows from Investing Activities	Net Cash flows from Financing Activities
(i) Pattern 1	(–)	(–)	(–)
(ii) Pattern 2	(+)	(–)	(–)
(iii) Pattern 3	(–)	(+)	(–)
(iv) Pattern 4	(–)	(+)	(+)
(v) Pattern 5	(+)	(–)	(+)

4. (a) What are the various ways of identification of distress firm? 4

(b) Balance Sheet of Dayal Ltd. as on March 31, 2013 is given below: 6

Liabilities	₹ in Crores	Assets	₹ in Crores
Equity Shares	20·80	Fixed Assets	105·60
Long-term Liabilities	104·00	Current Assets	57·60
Current Liabilities	78·40	P & L A/c	40·00
	203·20		203·20

The following are the additional information:

(i) Depreciation written off ₹ 8 crores.

(ii) Preliminary Expenses written off ₹ 1·60 crores.

(iii) Net loss ₹ 25.60 crores.

You are required to ascertain the stage of sickness and comment on them.