

FINAL EXAMINATION

(NBA/ABN-9)

December 2015

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

In this section, Answer Question No. 1(a) and 1(b) which is compulsory and any two parts out of Question No. 2(a), 2(b) and 2(c)

1. (a) As credit manager of the bank, you have been approached by two companies for a loan of ₹ 1,00,000 for six months, with no collateral offered. Since the bank has almost exhausted its quota for loans of this type, only one of these requests can be granted. The relevant information supplied to you by the two companies is presented below:

Particulars	Company X (₹)	Company Y (₹)
<b>Assets</b>		
Cash	1,70,000	3,00,000
Sundry Debtors	2,74,000	4,24,000
Stock	9,00,000	13,50,000
Total Current Assets	13,44,000	20,74,000
Other Assets	10,00,000	10,20,000
	23,44,000	30,94,000
<b>Liabilities &amp; Capital</b>		
Current Liabilities	5,00,000	6,40,000
Long-term Loans	8,00,000	10,00,000
Equity Share Capital	8,00,000	12,00,000
Retained Earnings	2,44,000	2,54,000
	23,44,000	30,94,000
<b>Additional Information</b>		
Sales	24,00,000	17,00,000
Rate of gross profit on sales	30%	40%

Considering the above data specify the company which should be granted the credit. Explain your answer with reasons. 10

- (b) Vipul Construction Corporation a proprietorship company has a contract to build a structure for ₹ 1,00,00,000 and a reliable estimate of the contract's total cost is ₹ 80,00,000. Project cost incurred by Vipul Construction Corporation is as follows:

Vipul Construction Corporation Cost of Project:

Year	Cost to be incurred
2012-13	₹ 40,00,000
2013-14	₹ 30,00,000
2014-15	₹ 10,00,000
Total	₹ 80,00,000

You are required to determine Vipul Construction Corporation's net income from this project for each year using the (i) percentage-of-completion and (ii) completed contract method. (iii) Which method will you recommend to the entity considering matching concept, ROI and taxation? 4+4+2=10

Please Turn Over

