

Enroll No

K.E. Society's  
**Rajarambapu Institute of Technology, Rajaramnagar**  
 (An Autonomous Institute, affiliated to SUK)  
 End Semester Examination (2023)  
 S.Y.M.B.A.-IEV Sem- III

Q.P.Code
E092

**Course Code:** MIF205

**Course Name:** Financial Analysis and Business Valuation

Day & Date: Wed., 1/2/2023  
 Time : 2.30 to 5.30 pm.

Max Marks: 100

- Instructions:** 1) All questions are compulsory  
 2) Figures to the right indicate maximum marks  
 3) Assume suitable data if not given  
 4) Use of non-programmable calculator is allowed

Q. No	Question Statement	Marks	COs
Q.1	(a) The following are the income statement of Verma Ltd. for the years ended 31st March 2021 and 31st March 2022.	10	2

Particulars	31.03.21	31.03.22
Net Sales	1,82,000	1,99,000
Less: Cost of Goods Sold	1,13,000	1,26,000
Gross Profit (A)	69,000	73,000
Administrative Expenses (B)	14,500	15,200
Selling Expenses :		
Advertisement Expenses	3,500	4,200
Other Selling Expenses	39,000	41,000
Total Selling Expenses (C)	42,500	45,200
Operating Expenses (B + C)	57,000	60,400
Operating Profit (D) [D = A - (B + Q)]	12,000	12,600
Other Incomes (E)	5,200	7,500
Other Expenses (F)	5,900	5,200
Profit before Tax (PBT) [PBT = D + E - F]	11,300	14,900
Income Tax (T)	5,300	7,200
Profit after Tax (PAT) [PAT = PBT - T]	6000	7,700

Prepare a common-size statement and comment on the performance of the company.

- Q.1 (b) Compute the net present value for a project with a net investment of Rs. 100000 and the following cash flows if the company's cost of capital is 10%? Net cash flows for year one is Rs. 55000; for year two is Rs. 80000 and for year three is Rs. 15000.  
 (PVIF @ 10% for three years are 0.909, 0.826 and 0.751)
- Q.2 (a) The following details are related to financial position of Ritz Ltd. for 3 years which ended on 31st March every year:



Particulars	2014	2015	2016
Share capital	1,40,000	1,80,000	1,90,000
Current Liabilities	40,000	?	?
Working Capital	60,000	50,000	1,40,000
Long-term Loan	1,00,000	?	1,20,000
Fixed assets	2,40,000	2,50,000	2,35,000
Net Worth	2,00,000	2,20,000	2,55,000
Current Assets	?	1,20,000	2,00,000
Capital Employed	3,00,000	?	?
Reserves & Surplus	?	40,000	65,000

You are required to find out the values of the missing figures and also interpret the result.

**Q.2 (b)** Following figures have been extracted from the books of Elite.

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Net Sales Rs. 3000000

Cost of Goods Sold Rs. 2000000

Net Profit Rs. 300000

Current Assets Rs. 600000

Stock Rs. 200000

Current Liabilities Rs. 200000

Trade Debtors Rs. 100000

Paid up Share Capital Rs. 500000

Debentures Rs. 250000

Calculate:

- Gross profit ratio
- Net profit ratio
- Debt-equity ratio
- Current ratio
- Quick ratio

**Q.3 (a)** Cash flow statement of ABC and Associates for the year ending 31<sup>st</sup> March 2021

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Particulars	Rs.	Rs.
<b>Cash flow from operating activities</b>		
Net Profit		
Depreciation	10000	
Interest Paid	5000	15000
Changes in working capital		
Decrease in Debtors	28000	
Increase in Inventory	(60000)	
Increase in Bills Payable	23000	(9000)
Net cash flow from operating activities		6000
<b>Cash flow from Investment Activities</b>		
Purchase of land	(5000)	
Net cash flow from Investment Activities		(5000)
<b>Cash flow from Financial Activities</b>		
Repayment of Bank Loan	(10000)	
Interest Payment	(5000)	



Capital	15000	
Net cash flow from financial activities		
Net increase in cash		1000
Cash balance at the beginning of the month		2000
Cash balance at the end of the month		3000

Analyze the cash flow statement and comment on the cash flow position of the company.

- Q.3 (b)** “Entrepreneurs believe that profit is what matters most in a new enterprise. But profit is secondary. Cash flow matters most.” Comment **5 4**
- Q.4 (a)** “Too often we measure everything and understand nothing. The three most important things you need to measure in a business are customer satisfaction, employee satisfaction, and cash flow. If you’re growing customer satisfaction, your global market share is sure to grow, too. Employee satisfaction gets you productivity, quality, pride, and creativity. And cash flow is the pulse—the key vital sign of a company.” Analyze the relationship of the above statement in the case of growth analysis. **9 3**
- Q.4 (b)** “A firm can have value only if it ultimately delivers earnings.” Do you agree? Why? **6 3**
- Q.5 (a)** “The discounted cash flow model of valuation is the most helpful tool for separating intrinsic and extrinsic values.” Justify the statement with an appropriate example **10 4**
- Q.5 (b)** “It is impossible to say whether an asset class valuation is cheap or expensive in isolation. The valuation of an asset is relative to the valuations of all other assets.” Is it true? Justify **10 5**
- Q.6 (a)** “If investors do not know or never attempt to know the fair value, they can pay any price. More often, the price they pay is far greater than the actual value.” Do you agree? Why? **10 5**
- Q.6 (b)** Evaluate the challenges in the fair valuation of assets. **10 5**

**OR**

Analyze the need for a fair valuation of Intellectual Property.

