JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

THIRD TRIMESTER (Batch 2021-23)

END TERM EXAMINATIONS, April 2022

Course Name	**Financial Statement Analysis**	Course Code	**20203**
Max. Time	**2 hours**	Max. Marks	**40 MM**

INSTRUCTIONS:

1. Attempt all questions.
2. Use of calculators is allowed. Use of mobile phones is not allowed.
3. It is a closed book exam.

1. The balance sheets and the profit and loss accounts of Maharaja Synthetics Limited for the last two years are given as follows:

Statement Profit and Loss Account for the Year Ended 31st March

	(₹ in Thousands)	
Particulars	**2021**	**2020**
Net sales	788,110	672,040
Other income	15,370	18,020
Total income	803,480	690,060
Cost of goods sold	520,460	473,290
Other operating expenses	131,970	118,190
Depreciation	22,260	20,140
Interest	32,860	24,380
Profit before tax	95,930	54,060
Taxes	28,780	16,218
Profit after tax	67,150	37,842
Dividend	16,788	9,460
Retained earnings	50,362	28,382

Balance Sheet as on 31st March

Particulars	**2021**	**2020**
Assets		
Non-current assets	223,200	175,960

Cash and bank	24,202	21,200
Trade receivables	91,160	68,900
Inventories	130,210	111,300
Total current assets	245,572	201,400
Total	468,772	377,360
Liabilities		
Shareholders' funds	232,682	182,320
Long-term debt	137,800	106,000
Short-term loans	58,300	58,300
Trade payables	39,990	30,740
Total current liabilities	98,290	89,040
Total	468,772	377,360

On the basis of the information above determine and interpret the following ratios:

a) Dividend Pay Out Ratio
b) Current Ratio and Liquid Ratio
c) Receivable Turnover Ratio and Days' Sales Outstanding
d) Inventory Turnover Ratio and Average Holding Period
e) Debt Equity Ratio, Total Debt to Equity Ratio, Interest Coverage Ratio
f) Return on Capital Employed
g) Break up of ROE as per Dupont Analysis

(7*2=14 marks)

2(a). JCP Ltd. has owner's equity of ₹ 1,00,000. The ratios for the firm are as follows:

Current debt to total debt	0.40
Total debt to owner's equity	0.60
Fixed assets to owners equity	0.60
Total assets turnover	2 times
Inventory Turnover	8 times

Identify the missing information in the balance sheet, given the information above:

Liabilities	₹	Assets	₹
Current debt	?	Cash	?
Long term debt	?	Inventory	?
Total debt	?	Total current assets	?
Owner's equity	1,00,000	Fixed assets	?
Total liability	?	Total assets	?

(1*9=9 marks)

2(b). Evaluate inventory turnover ratio from the following information:

Opening Inventory ₹ 20,000; Purchases ₹ 1,60,000 and Closing inventory ₹ 60,000. Explain giving reason, which of the following transactions would (i) increase, (ii) decrease, and (iii) neither increase nor decrease the Inventory Turnover Ratio:

a) Sale of goods for ₹ 20,000 (cost 16,000).
b) Increase in value of closing inventory by ₹ 20,000.
c) Goods purchased for ₹ 40,000.

d) Purchases return ₹ 10,000.
e) Goods costing ₹ 5,000 withdrawn for personal use.

(1*5=5 marks)

3. The management of a publishing house is concerned about the decline in the return on equity of the company over the last three years notwithstanding significant improvement in profits over the same period of time. You are required to estimate the Return on Equity (ROE) of the company and identify the key reason for the declining trend on the basis of the following information:

Particulars (₹ in million)	**2021**	**2020**	**2019**
Profit after tax	740	610	425
Sales	1,980	1,620	1,100
Non-current assets	1,780	1,540	1,220
Current assets	3,170	2,280	1,200
Shareholders' funds	3,120	1,690	970

Based on your analysis, make suggestions to the management for improvement.

(2+2+2=6 marks)

4. Explain on any *three* of the following:
   a. Advantages of ratio analysis
   b. Solvency ratios
   c. Limitations of ratio analysis
   d. Objectives of ratio analysis

(2 x 3 = 6 marks)