

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT & FINANCE

Bachelor of Business Administration in Finance
(Level II – Semester V) Examination. (March-April 2010)

FIN 2101 - Financial Statement Analysis

One (01) Hour

Answer All Questions

1. The following is the Income statements of companies A, B and C for the year ended 31 March 2009.

Particulars	B		A		C	
	Rs.	%	Rs.	%	Rs.	%
Income						
Income from sales and services	11,214.86	100.00	9,028.00	100.00	4,634.31	100.00
Other Income	67.95	0.61	144	1.60	377.91	8.15
	11,282.81	100.61	9,172.00	101.61	5,012.22	108.51
Expenditure						
Employee costs	4,000.6	35.67	4,273.00	47.33	2,700.67	58.28
Operational and other expenditure	3,945.99	35.19	1,766.00	19.56	740.13	15.97
PBDIT	3,336.22	29.75	3,133.00	34.70	1,571.42	33.91
Interest	4.49	0.04	-	0.00	2.72	0.06
Depreciation	257.38	2.29	409.00	4.53	122.81	2.65
Profit before tax	3,074.35	27.41	2,724.00	30.17	1,445.89	31.20
Provision for tax	337.23	3.01	303	3.36	197.34	4.26
Net profit after tax	2,737.12	24.41	2,421	26.82	1,248.55	26.94
	11,282.81	100.61	9,172.00	101.61	5,012.22	108.51

You are required to review the common size income statements of company A and compare it with that of companies B and C to understand the financial performance of those companies.

You are expected to interpret the data as a professional Financial Analyst.

(10 Marks)

02. The following are the ratios relating to the activities of the National Company Ltd.

Debtors velocity (Months)	3
Stock velocity (Months)	8
Creditors velocity (Months)	2
Gross profit ratio (%)	25

Gross profit for the current year ended 31st December amounted to Rs 400,000. Closing stock the year is Rs 10,000 above the opening stock. Bills receivable is amount to Rs 25,000 and bills payable to Rs 10,000.

Based on this data, find out sales, sundry debtors, closing stock and sundry creditors of the National Company Ltd.

(15 Mar)

03. Guilty Company Ltd purchased a retail store and commenced business on April 1st of the year 2010. From the following information, you are required to prepare a detailed trading, profit and loss account and the balance sheet for the current year ended 31st March 2010.

Capital introduced on April 1	Rs 47,000
Drawing during the year	5,000
Working capital (current assets less current liabilities)	23,000
Depreciation of fixed assets during the year, based on a rate of 20% per annum on cost	3,000
Ratio of annual sales to year-end values of fixed assets plus working capital	2 : 1
Ratio of current assets to current liabilities at the year-end	2 : 1
Ratio of the liquid assets (cash plus debtors) to current liabilities on March 31	5 : 4
Debtors at the year-end as per cent of annual sales	12
General expenses (excluding depreciation) as a per cent of annual sales	20

(50 Mar)

4. Write short notes on following terms.

- i. Benchmarking
- ii. Horizontal Analysis
- iii. Cash flow adequacy
- iv. Common-size financial statements
- v. Price Earning ratio

(05 Marks for each)
(Total 25 Marks)
