**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**THIRD TRIMESTER (Batch 2021-23)**

**END TERM IMPROVEMENT EXAMINATION, AUG-2022**

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| --- | --- | --- | --- |
| Course Name | **Financial Statement Analysis** | Course Code | **40203** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

1. This is a closed-book examination. Access to Computers & the textbook/course materials are not permitted in the examination hall.
2. Use of calculator, including scientific or financial, is allowed.
3. Do not use pencils for answering the questions
4. Answers without proper analysis will be treated as incomplete.
5. Any academic dishonesty will fetch Zero marks in the examination.
6. **The question paper consists of Eight Pages with Six Exhibits and One Annexure.**
7. All the questions given below are to be answered using the given data in the question paper only.
8. Below is a brief description, Financial Statements and extracts of certain key information of Dakachaya Enterprises Ltd (DEL). All the data are given in the case and the questions are true and fair to the best of the knowledge of the examiners. Hence, you are not required to ask for any clarifications in the examination hall. Rely on your judgement in case of any doubt.
9. Present your answers in legible handwriting.

**Questions:**

1. How would you measure the overall performance of BHEL for both the years [ Use ROIC, ROE & P/E ratios] ? How does the company perform on the overall performance measures? What makes the changes in the ROE of the firm in the year 2014 compared to the previous year? **[25 marks]**
2. Comment on the liquidity and solvency position of the company? Employ at least two ratios for each metric. **[15 marks]**

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**Dakachaya Enterprises Limited [DEL]**

DEL started its journey as a private company by the Students of Jaipuria Group in the year 2011. The company according to its latest annual report operates into the following eight segments: Power – Transmission –Industry- Transportation- Renewables-Oil & Gas – Defence - Water. The company’s headquarters is at Dakachaya, Indore. The Company has two subsidiary companies and five joint venture companies.

The company’ Market Capitalisation [Market value of Equity] for the last five years are as below

**Exhibit 1 : Market Value of Equity of DEL [ 2017 to 2021]**

|  |  |
| --- | --- |
| Year Ending 31st March | Market Value of Equity [in Rs Crores] |
| 2021 | 48,169 |
| 2020 | 43,322 |
| 2019 | 62,940 |
| 2018 | 1,00,971 |
| 2017 | 1,17,027 |

The company’s Standalone Statement of Profit & Loss [Income Statement], Standalone Balance Sheet and Standalone Cash Flow Statement are presented in Exhibits 2, 3 & 4 respectively.

**Exhibit 2: Standalone Profit & Loss Statement of DEL [ 2020 & 2021] [Amount in Rs Crores]**

|  |  |  |
| --- | --- | --- |
| Particulars | Year ending 31st March 2021 | Year ending 31st March 2020 |
| 1. Gross Revenue from Operations | 40337.92 | 50156.48 |
| Less: Excise Duty | 1342.26 | 1904.01 |
| Less: Service Tax | 606.84 | 634.80 |
| Net Revenue from operations | 38388.82 | 47617.67 |
| 1. Other Operational Income | 720.01 | 806.98 |
| 1. Other Income | 1616.03 | 1121.71 |
| Total Revenue | 40724.86 | 49546.36 |
| 1. Expenses |  |  |
| Cost of material consumption, erection and engineering expenses | 22099.08 | 27899.37 |
| (Increase)/Decrease in WIP & Finished Goods | 1057.40 | 116.21 |
| Employee Benefit Expenses | 5933.78 | 5752.78 |
| Finance Costs | 132.63 | 125.27 |
| Depreciation & Amortization Expenses | 982.92 | 953.39 |
| Other expenses of manufacture, administration, selling & distribution | 3308.50 | 3776.56 |
| Provisions [net] | 2258.70 | 1565.77 |
| Less : Cost of Jobs done for internal use [capitalised] | 68.46 | 75.87 |
| Total Expenses | 35704.55 | 40113.48 |
| 1. Profit Before Prior Period Adjustments, exceptional items and tax | 5020.31 | 9432.88 |
| 1. Add/less: Prior period adjustments[net] | -6.01 | -0.44 |
| 1. Profit Before Tax | 5014.30 | 9432.44 |
| 1. Less: Tax Expense |  |  |
| Current Tax | 1911.00 | 2822.15 |
| Deferred Tax | -357.48 | -4.44 |
| Total Tax | 1553.52 | 2817.71 |
| 1. Profit for the year | 3460.78 | 6614.73 |
| 1. Number of outstanding Equity shares | 244.75 crores | 244.75 crores |

E**xhibit 3: Standalone Balance Sheet of DEL [2020 & 2021] [Amount in Rs Crores]**

|  |  |  |
| --- | --- | --- |
| Particulars | Year ending 31st March 2021 | Year ending 31st March 2020 |
|  |  |  |
| Equity and Liabilities |  |  |
| 1. Shareholders’ funds |  |  |
| + Share Capital | 489.52 | 489.52 |
| + Reserves & Surplus | 32557.53 | 29954.58 |
| Total Shareholders’ funds | 33047.05 | 30444.10 |
| 2. Non-Current Liabilities |  |  |
| [a] Long Term Borrowings | 104.77 | 129.20 |
| [b] Other Long term liabilities | 6600.17 | 5789.68 |
| [c] Long term provisions | 7496.43 | 5944.02 |
| Total Non-Current Liabilities | 14201.37 | 11862.90 |
| 1. Current Liabilities |  |  |
| [a] Short term borrowings | 2550.00 | 1286.00 |
| [b] Trade Payables | 8719.02 | 9675.18 |
| [c] Other Current Liabilities | 11444.14 | 13862.37 |
| [d] Short term provisions | 2829.59 | 2998.11 |
| Total Current Liabilities | 25542.75 | 27821.66 |
| Total of Equity & Liabilities | 72791.17 | 70128.66 |
|  |  |  |
| Assets |  |  |
| 1. Non-Current Assets |  |  |
| [a] Fixed Assets |  |  |
| + Tangible Assets | 4525.13 | 4314.67 |
| + Intangible Assets | 167.81 | 143.82 |
| +Capital work-in-progress | 622.01 | 1133.51 |
| +Intangible assets under development | 20.11 | 38.08 |
| Total Fixed Assets | 5335.06 | 5630.08 |
| [b]Non-Current Investments | 420.17 | 429.17 |
| [c]Deferred Tax Assets [Net] | 1968.95 | 1550.69 |
| [d]Long Term Loans & Advances | 1167.14 | 905.54 |
| [e] Other non -current Assets | 11881.07 | 10653.72 |
| Total of [b,c,d & e above] | 15437.33 | 13539.12 |
| 1. Current Assets |  |  |
| [a] Inventories | 9797.55 | 11763.82 |
| [b] Trade Receivables | 28071.92 | 29234.49 |
| [c] Cash and Bank balance | 11872.93 | 7732.05 |
| [d] Short term Loans & Advances | 2023.86 | 2029.12 |
| [e] Other Current Assets | 252.52 | 199.98 |
| Total Current Assets | 52018.78 | 50959.46 |
| Total Assets | 72791.17 | 70128.66 |

**Exhibit 4- Standalone Cash Flow Statement of DEL [2020 & 2021] [Amount in Rs Crores]**

|  |  |  |
| --- | --- | --- |
| Particulars | Year ending 31st March 2021 | Year ending 31st March 2020 |
| A: Cash Flow from Operating Activities |  |  |
| Net Income before tax | 5014.30 | 9432.44 |
| Adjustments for |  |  |
| Depreciation/ Amortisation | 988.95 | 954.16 |
| Provisions[net] | 1629.75 | 424.24 |
| Bad Debts, Loan Default & Investment written off | 70.30 | 377.26 |
| Profit on sale of fixed assets | -0.05 | -3.31 |
| Profit on sale of long term investments | 0.00 | -31.50 |
| Profit on sale of short term investments | -0.02 | 0.00 |
| Finance Costs | 132.66 | 125.27 |
| Interest/Dividend Income | -652.42 | -623.95 |
| Operating Profit before working capital change | 7183.47 | 10654.61 |
| Adjustment For |  |  |
| Trade & Other receivables | -952.82 | -4368.69 |
| Inventories | 1945.06 | 1788.30 |
| Trade Payables and advances | -1526.27 | -2971.92 |
| Cash generated from operations | 6649.44 | 5102.30 |
| Direct Taxes Paid [net of refund] | -2131.30 | -3237.52 |
| Net Cash flow from Operating Activities | 4518.14 | 1864.78 |
| B : Cash Flow from Investing Activities |  |  |
| Purchase of Fixed Assets | -791.42 | -988.52 |
| Sale and Disposal of Fixed Assets | 121.72 | 12.72 |
| Sale and disposal of short term investments | 0.02 | 0.00 |
| Investment in Subsidiary & Joint Ventures [net] | 9.00 | 64.00 |
| Pursuant to Amalgamation | -108.20 | 0.00 |
| Interest & Dividend Income | 600.81 | 573.75 |
| Net Cash Used in Investing Activities | 168.07 | 338.05 |
| C: Cash Flow from Financing Activities |  |  |
| Short term & Long term borrowings [net] | 1233.01 | 1304.43 |
| Dividend paid including tax on dividend | -1315.55 | -1648.57 |
| Finance Costs | -126.65 | -122.52 |
| Net cash used in Financing Activities | 209.19 | 466.66 |
| D: Net increase in Cash & Cash Equivalents | 4140.88 | 1060.07 |
| Add: Opening balance of cash and cash equivalents | 7732.05 | 6671.98 |
| Closing balance of cash & cash equivalents | 11872.93 | 7732.05 |

**Annexure-1: Significant Accounting Policies Adopted by DEL [during financial years 2020 & 2021]**

1. **Basis of Preparation of Financial Statements:** on the basis of “ Historical Cost “ convention and “Accrual Method of Accounting” in accordance with GAAP & the provisions of the Indian Companies Act 2013 on a consistent manner.
2. **Use of Estimates:** Financial Statements are prepared by using management’s estimates and assumptions of expenses, income, assets and liabilities (including contingent liabilities) during the reporting period. The difference between the actual results and estimates are recognised in the period in which results are known.
3. **Fixed Assets:** Fixed Assets ( other than land acquired free from state government ) are presented at the cost of acquisition or construction or book value less accumulated depreciation and impairment if any. Land acquired at free of cost from the State Government is valued at Rupee 1.
4. **Depreciation:**

[a] Fixed Assets [except those used Abroad under contract]are depreciated using the Straight Line Method as per the rates prescribed in the Companies Act 2013. Addition to /deduction from fixed assets during the year are depreciated on pro-rata monthly basis.

[b] Fixed assets used in abroad under long term contracts are depreciated over the duration of the contract.

[c] Fixed assets costing Rupee 10,000 or less and those whose written down value at the commencement of the year is Rupee 10,000 or less are depreciated fully.

[d] Assets at Project Sites: These assets (except temporary erections& wooden structures are fully depreciated) are depreciated after getting netted for 10% residual value.

[e] Leasehold Land and Buildings are amortised over the period of lease.

1. **Inventory Valuation:** Inventory is valued at lower of actual cost/estimated cost/net realisable value.
2. **Revenue Recognition:** Revenues are recognised on the transfer of risks and rewards of ownership to the customers. Revenue includes goods dispatched to customers by partial shipments. Revenue from long term contracts is recognised on the percentage of completion method.
3. **Claims against the company:** Claims against the company are recognised in the financial statements on the basis of the estimate of the probability of its occurrence by management.
4. **Taxes on Income:** Current amount of Tax expenses are determined on the basis of the taxable income in adherence to the provisions of the Income Tax Act 1961. Deferred Tax Asset /Liability arising from the timing difference between financial income and taxable income are recognised in the financial statements. Deferred Tax Asset is accounted for and carried forward only to the extent that there is reasonable certainty that a sufficient amount of future taxable income will be available for reversing the deferred tax asset.

--------------------------------------------------End of Question Paper----------------------------------------------