

Code No: 784AG

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV Semester Examinations, February - 2025

FINANCIAL ANALYTICS

Time: 3 Hours

Max.Marks:60

Note: This question paper contains two parts A and B. i) **Part- A** for 10 marks, ii) **Part - B** for 50 marks.

- Part-A is a compulsory question which consists of ten sub-questions from all units carrying equal marks.
- Part-B consists of **ten questions** (numbered from 2 to 11) **carrying 10 marks each**. Each of these questions is from each unit and may contain sub-questions. For each question there will be an “either” “or” choice, which means that there will be two questions from each unit and the student should answer either of the two questions.

PART – A**(10 Marks)**

- 1.a) Define liquidity. [1]
- b) What do you understand by replacement cost? [1]
- c) How do you calculate geometric mean? [1]
- d) What is the formula for calculating compounded interest? [1]
- e) Define IRR. [1]
- f) What is profitability index? [1]
- g) What does beta indicate? [1]
- h) What is investment portfolio? [1]
- i) Who regulates government bond market operation in India? [1]
- j) What are floating rate bonds? [1]

PART – B**(50 Marks)**

- 2.a) The following information has been taken from Tram’s balance sheet at Dec. 31st 2019 and 2020. Prepare the net cash from operating activities section of the company’s statement of cash flows for the year ended Dec. 31st 2020.

Particulars	At Dec. 2020 Rs.	At Dec. 2019 Rs.
Current assets Cash	1,03,000	99,000
Accounts receivable	90,000	79,000
Inventory	1,50,000	1,42,000
Prepaid expenses	47,000	50,000
Total Current assets	3,90,000	3,70,000
Current Liabilities		
Accrued expenses	17,000	15,000
Accounts payable	60,000	92,000
Total current liabilities	77,000	1,07,000

Net income for the year ended Dec.31st 2020 was Rs.1,85,000. Depreciation expense was Rs. 25,000.

- b) Describe the three categories of cash flows that explain the total change in cash for the year. [7+3]

OR

- 3.a) A five year comparative analysis of Low Light Company's current ratio and quick ratio follows:

year	2014	2015	2016	2017	2018
Current ratio	1.19	1.85	2.50	3.40	4.02
Acid test ratio	1.15	1.02	0.98	0.72	0.50

What has been happening to the liquidity of Low Light Company over the five years presented?

Considering both ratios, what does the trend indicate about what has happened to the makeup of Low Light's current assets over the five year period.

- b) What are the major points of difference between a cash budget and sources and use of funds statement? [5+5]

4. Lakshman borrowed Rs. 1,50,000 at 12% annual rate of interest to be paid over 3 years. The loan is amortized into three equal annual ends of payments. Calculate the annual end of year loan payment. [10]

OR

- 5.a) Which statistics would you choose to calculate risk? Why?
b) How would you find the covariance of stock? [5+5]

6. A firm is considering the following project:

Cash flows (Rs.)					
C ₀	C ₁	C ₂	C ₃	C ₄	C ₅
-50,000	+11,300	+12,769	+14,429	+16,305	+18,421

Calculate the NPV of the project if the cost of capital is 10 percent. What is the project's IRR? [10]

OR

7. From the following information supplied to you, determine the appropriate weighted average cost of capital, relevant for evaluating long-term investment projects of the company: [10]

Cost of equity	12%
After-tax cost of long-term debt	7%
After-tax cost of short-term debt	4%

Source of capital	Book value Rs.	Market value Rs.
Equity	5,00,000	7,50,000
Long-term debt	4,00,000	3,75,000
Short term debt	1,00,000	1,00,000
Total	10,00,000	12,25,000

- 8.a) What is technical analysis? What are its advantages and limitations?
b) Describe the covariance matrix with suitable example. [5+5]

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OR

- 9.a) Safe Investor Company's stock currently sells Rs.53 per share. The stock's dividend is expected to grow at 6% per year indefinitely. Safe Investor Co. just paid a dividend of Rs. 3 per share. Given this information calculate the stock's internal rate of return.
- b) How do you estimate security market line? [6+4]

10.a) How is intrinsic value of a bond determined? Use example to illustrate your point.

- b) What are the various types of corporate bonds? [5+5]

OR

11. The spot price of a bond is Rs.900 and one year future rate is Rs.930. Interest payments of Rs. 40 are due after 6 months and after one year from today. The risk free rate of interest for 6 months and one year period are 9% and 10% respectively. Find out the profit of the investors. What should be his strategy if he holds one bond and the futures price is Rs.905? [10]

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