



Register Number:
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ST. JOSEPH'S COLLEGE (AUTONOMOUS) BENGALURU-27

BBASF - III SEMESTER

SEMESTER EXAMINATION: NOVEMBER 2020

BBASF3419 -Financial Decision Making I

This paper contains three printed pages and four parts

Time: 2 1/2 hrs

Max marks: 70 marks

SECTION A

Answer any FIVE of the following questions. Each question carries two marks. (5x2= 10)

1. What is vertical analysis? What is the main purpose of doing vertical analysis?
2. State any four factors that affect organizations income?
3. Give the meaning of earnings per share?
4. A man purchased 300 shares of the face value of Rs. 100 each from the market at Rs. 800 per share. If a dividend of 24% is declared, find his earning percent on the investment.
5. What is risk incorporate finance?
6. What is economic order quantity?

SECTION B

Answer any THREE of the following questions. Each question carries five marks. (3x5=15)

7. Write a note on relationship between revenue and receivables.
8. Given the following information:
 - a. Revenue from Operations - \$ 3,40,000
 - b. Cost of Revenue from Operations- \$ 1,20,000
 - c. Selling expenses- \$ 80,000
 - d. Administrative Expenses- \$ 40,000Calculate Gross profit ratio and Operating ratio.
9. Consider a portfolio of 300 shares of firm Alpha worth \$10/share and 50 shares of firm Beta worth \$40/share. You expect a return of 8% for stock Alpha and a return of 13% for stock Beta.
 - a. What is the total value of the portfolio, portfolio weights and the expected return?
 - b. Suppose firm Alpha's share price goes up to \$12 and firm Beta's share price falls to \$36. What is the new value of the portfolio and its return? After the price change, what are the new portfolio weights.
10. Write a note on mergers and acquisitions.

SECTION C

Answer any TWO of the following questions. Each question carries fifteen marks. (2x15=30)

11. Following information is given by a company from its books of accounts as on Dec 31, 2019

| Particulars | Amount (\$) |
|---------------------------------|-------------|
| Inventory | 1,00,000 |
| Total Current Assets | 1,60,000 |
| Shareholders' funds | 4,00,000 |
| 13% Debentures | 3,00,000 |
| Current liabilities | 1,00,000 |
| Net Profit Before Tax | 3,51,000 |
| Cost of revenue from operations | 5,00,000 |

Calculate:

- i) Current Ratio
 - ii) Liquid Ratio
 - iii) Debt Equity Ratio
 - iv) Interest Coverage Ratio
 - v) Inventory Turnover Ratio
12. Briefly explain the different types of Long-term financial instruments.
13. What are the sources used for financing temporary requirement of working capital? Explain

SECTION D

Answer the following compulsory question. (1x15=15)

14. Given below is the consolidated balance sheets of Facebook, INC. from 2017 to 2019. The company is asking your help in doing Vertical analysis for all the years and interpret the results.

| FACEBOOK, INC. | | | |
|---|-----------------|----------------|----------------|
| CONSOLIDATED BALANCE SHEETS | | | |
| <i>(In million \$, except for number of shares and par value)</i> | | | |
| | 31-12- 2019 | 31-12- 2018 | 31-12- 2017 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 19,079 | 10,019 | 8,079 |
| Marketable securities | 35,776 | 31,095 | 33,632 |
| Accounts receivable, net of allowances of \$206 and \$229 as of December 31, 2019 and December 31, 2018, respectively | 9,518 | 7,587 | 5,832 |
| Prepaid expenses and other current assets | 1,852 | 1,779 | 1,020 |
| Total current assets | 66,225 | 50,480 | 48,563 |
| Property and equipment, net | 35,323 | 24,683 | 13,721 |
| Operating lease right-of-use assets, net | 9,460 | 0 | 0 |
| Intangible assets, net | 894 | 1,294 | 1,884 |
| Goodwill | 18,715 | 18,301 | 18,221 |
| Other assets | 2,759 | 2,576 | 2,135 |
| Total assets | 1,33,376 | 97,334 | 84,524 |
| Liabilities and stockholders' equity | | | |
| Current liabilities: | | | |
| Accounts payable | 1,363 | 820 | 380 |
| Partners payable | 886 | 541 | 390 |
| Operating lease liabilities, current | 800 | 0 | 0 |
| Accrued expenses and other current liabilities | 11,735 | 5,509 | 2,892 |
| Deferred revenue and deposits | 269 | 147 | 98 |
| Total current liabilities | 15,053 | 7,017 | 3,760 |

| | | | |
|---|-----------------|---------------|---------------|
| Operating lease liabilities, non-current | 9,524 | 0 | 0 |
| Other liabilities | 7,745 | 6,190 | 6,417 |
| Total liabilities | 32,322 | 13,207 | 10,177 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Common Stock | — | — | — |
| Additional paid-in capital | 45,851 | 42,906 | 40,584 |
| Accumulated other comprehensive loss | -489 | -760 | -227 |
| Retained earnings | 55,692 | 41,981 | 33,990 |
| Total stockholders' equity | 1,01,054 | 84,127 | 74,347 |
| Total liabilities and stockholders' equity | 1,33,376 | 97,334 | 84,524 |

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