**Experiential Learning- I**

**Only for Section A**

**Assignment 1**

The Management of Techno Appliances Ltd. were presented with the following financials during the Board Meeting

**Balance sheet as at 31st March 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | Note No. | As at 31st March 2021 | As at 31st March 2020 |
| 1. **Equity & Liabilities**   **Shareholder’s Funds**  Share Capital  Reserves and Surplus  **Non-Current Liabilities**  Long term borrowings  **Current Liabilities**  Short term borrowings  Trade payables  Short term provisions  **Total**   1. **Assets**   **Non-Current Assets**  Equipment  Goodwill  Patents  **Current Assets**  Inventory  Trade receivables  Cash and cash equivalents  Other Current assets  **Total** |  | 250000  340000  40000  50000  112000  18000  **810000**  500000  10000  6000  168000  120000  5200  800  **810000** | 250000  300000  98000  12000  **660000**  470000  12000  8000  80000  50000  39000  1000  **660000** |

1. Long term borrowings – Loan from Financial Institutions 40000 -
2. Short term Borrowings – Bank Overdraft 50000 -
3. Short term Provision – provision for tax 18000 12000
4. Other Current assets – Prepaid expenses 800 1000

**Additional Information**

1. Equipment costing Rs.50000/- was sold during the year at a loss of Rs.23000/-
2. Depreciation charged on Equipment during the year was Rs.42000/-
3. Tax paid during the year amounted to Rs.14000/-
4. Loan from Financial Institutions was taken on 1st June 2020 @ 12% p.a interest. The total interest has been serviced till the end of March 2021
5. Interim dividend was paid on the share capital at 8% during the year

Though the cash and cash equivalents at the beginning of the year was Rs.39000/-, the closing balance decreased to Rs.5200/- and also an overdraft of Rs.50000/- was availed by the company.

The management failed to understand why an overdraft of Rs.50000/- had to be availed from the Bank in spite of the company running in profits continuously for the past 4 years and having sufficient cash balance at the beginning of the year.

You are required to analyze the reasons for availing the OD facility by

1. preparing the cash flow statement and
2. give your suggestions on how to fund the future expansion of the business and repay the overdraft in full.

**Working notes should form part of the solution**

**Assignment 2**

Basics Ltd., a garment manufacturing company has been in the business for 4 years earning profits year on year. You are required to comment upon the efficiency of operations and their financial position based on the following financial data given using Ratio Analysis:

**Financial information pertaining to operations of Basics Ltd**:

(Rs. In 000s)

|  |  |  |
| --- | --- | --- |
| Particulars | For the year 2020-21 | For the year 2019-20 |
| Sales | 80000 | 60000 |
| Cost of goods sold | 62000 | 45000 |
| Operating expenses | 8500 | 7400 |
| Depreciation | 2350 | 2200 |
| Interest on Loan | 1100 | 800 |
| Share issue expenses | 4500 | 3500 |
| Provision for Taxation | 1800 | 1500 |

**Balance sheet of Basics Ltd as at 31st March 2021**

(Rs. In 000s)

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Note No.** | **As at 31st March 2021** | **As at 31st March 2020** |
| 1. **Equity & Liabilities** |  |  |  |
| **Shareholder’s funds** |  |  |  |
| Equity Share Capital |  | 11000 | 10000 |
| Reserves and Surplus |  | 9750 | 5500 |
| **Non-Current Liabilities** |  |  |  |
| Long term borrowings |  | 11000 | 8000 |
| **Current Liabilities** |  |  |  |
| Trade payables |  | 8200 | 6500 |
| Short term provisions |  | 1800 | 1500 |
| **Total Liabilities** |  | **41750** | **31500** |
|  |  |  |  |
| 1. **Assets** |  |  |  |
| **Non-Current assets** |  |  |  |
| Tangible assets |  | 17750 | 16300 |
| **Current Assets** |  |  |  |
| Inventory |  | 15500 | 8000 |
| Trade receivables |  | 7200 | 6000 |
| Cash balance |  | 1300 | 1200 |
| **Total Assets** |  | **41750** | **31500** |

**Additional information:**

1. Face value of Basic’s Shares is Rs.10/-
2. Interest on long term borrowings is 10% p.a
3. Short term provision is for taxes

You are required to compute the

1. Liquidity
2. Solvency
3. Activity
4. Profitability ratios

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Assignment for Section A - FMA** |  |  |
|  |  |  |  |
|  | **Template for submission of answers** |  |  |
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|  |  |  |  |
|  | **Problem 1 - Cash flow statement** |  |  |
| **Part A** |  |  |  |
| **A** | Net cash flow from Operations |  |  |
| **B** | Net cash flow from investing activities |  |  |
| **C** | Net cash flow from financing activities |  |  |
|  | Net decrease in cash during the year |  |  |
|  |  |  |  |
| **Part B** | **Suggestion to reduce the overdraft** |  |  |
|  |  |  |  |
|  |  |  |  |
|  | **Problem 2 - Ratio Analysis** |  |  |
|  |  | **Ratio** | **Comments** |
|  |  | **(value)** |  |
| **A** | **Liquidity Ratios** |  |  |
|  | Current Ratio |  |  |
|  | Quick ratio |  |  |
|  |  |  |  |
| **B** | **Solvency ratios** |  |  |
|  | Debt Equity Ratio |  |  |
|  | Interest coverage ratio |  |  |
|  | Total assets to Debt Ratio |  |  |
|  |  |  |  |
| **C** | **Activity Ratios** |  |  |
|  | Inventory turnover ratio |  |  |
|  | Trade receivable turnover ratio |  |  |
|  |  |  |  |
| **D** | **Profitability Ratios** |  |  |
|  | Operating ratio |  |  |
|  | Earnings per share |  |  |
|  | Return on Equity |  |  |
|  |  |  |  |
|  |  |  |  |