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| **SESSION** | **FEB-MARCH 2025** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **3** |
| **COURSE CODE & NAME** | **DBFI302 FINANCIAL STATEMENT ANALYSIS AND BUSINESS VALUATION** |
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**Assignment Set – 1**

**Q1. What are the divisions of a cash flow statement? 10**

**Ans 1.**

**Divisions of a Cash Flow Statement**

**Cash Flow Statement**

A cash flow statement is a financial document that summarizes the amount of cash and cash equivalents entering and leaving a company. It reflects how well a company manages its cash position, meaning how it generates cash to fund its obligations and manage operations. The cash flow statement is one of the three core financial statements used for financial reporting and is divided into three major sections: cash flow from operating activities, investing activities, and financing activities.

**Cash Flow from Operating Activities**

This section details the cash generated or consumed by a company's core business operations.

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**Q2. Explain reformulating of the statement of owner’s equity**

**Ans 2.**

**Reformulating the Statement of Owner’s Equity**

**Statement of Owner’s Equity**

The statement of owner’s equity, also known as the statement of changes in equity, details the changes in the ownership interest in a business over a particular accounting period. It includes transactions such as owner contributions, net income, distributions, and adjustments related to revaluation or currency conversion. Reformulating this statement allows financial analysts to better interpret the sources of equity changes and distinguish between operating

**Q3. Can you describe six components of the Statement of Income? 10**

**Ans 3.**

**Six Components of the Statement of Income**

**Introduction to Income Statement**

The income statement, also known as the profit and loss statement, summarizes a company’s financial performance over a specific period, typically quarterly or annually. It shows how revenue is transformed into net income and provides insights into a company's profitability, cost structure, and operational efficiency. The income statement is divided into several key components that reveal different aspects of financial performance.

**Revenue or Net Sales**

The first component is revenue, which includes income from sales of goods or services. It

**Assignment Set – 2**

**Q4. Explain the key elements of analysis of operational change**

**Ans 4.**

**Key Elements of Analysis of Operational Change**

**Operational Change**

Operational change refers to adjustments or transformations in a company’s core processes, systems, or strategies that directly affect how it conducts business. Analyzing operational change involves understanding how shifts in operations influence financial performance, efficiency, and long-term sustainability. This analysis helps stakeholders assess the impact of strategic decisions on company growth, profitability, and competitive advantage.

**Revenue and Cost Structure Shifts**

A primary element of operational change analysis is the evaluation of revenue generation and

**Q5. Write a note on the effect of leverage on operating and finance activities.**

**Ans 5.**

**Effect of Leverage on Operating and Finance Activities**

**Understanding Leverage**

Leverage refers to the use of fixed costs—both operational and financial—to magnify the returns of a business. It reflects how a company uses debt or fixed operating costs to influence earnings. There are two types of leverage: operating leverage and financial leverage. Both types impact a company's profitability, risk profile, and decision-making.

**Operating Leverage**

Operating leverage arises from a company’s cost structure, particularly the ratio of fixed to variable costs. Companies with high fixed operating costs relative to variable costs exhibit

**Q6. A Ltd produces its balance sheet on 31 March 2021 and requests its business professional appraiser to evaluate the value of business based on Asset Based Valuation Method. Assuming you are a business professional appraiser, evaluate the Company A as on 31 March 2022.**

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| --- | --- | --- | --- |
| **Liabilities** | **Amount (in USD)** | **Assets** | **Amount (in USD)** |
| **Equity share capital** | **25,000** | **Fixed Assets** | **41,000** |
| **Preference Share capital** | **11,000** | **Inventories** | **23,500** |
| **Reserves and surplus** |  **8,000** | **Cash and Bank Balance** | **11,500** |
| **Long-term debt** | **18,000** | **Debtors** | **13,000** |
| **Short-term debt** | **11,000** |  |  |
| **Creditors** | **16,000** |  |  |
| **Total** | **89,000** | **Total** | **89,000** |

**Ans 6.**

**Valuation of Company A Ltd Using Asset-Based Valuation Method**

**Valuation Date**

As a professional business appraiser, we are evaluating Company A Ltd as on 31 March 2022 using the financial information provided as of 31 March 2021. We are assuming there are no material changes and the asset/liability values represent fair market value.

**Step 1: Apply Asset-Based Valuation Formula**

$$Business Value=Total Assets-Total Liabilities$$

Where: