

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
SY BBA, Term-V End Term Assessment-September 2023
Financial Statement Analysis-2
(BBCB012)

Duration: 90 minutes

Maximum Marks: 25

- Instructions:** 1. Start each question on a fresh page.
2. Figures to the right indicate maximum marks.

Q1. A company called Selzon Pvt. Ltd. is a leading online gaming company in India. The company has been growing rapidly in recent years, and its stock price has been on the rise. However, in its latest annual report, the company's auditor issued an adverse auditor report. The auditor found that the company had overstated its revenue and understated its expenses.

- a) What does an adverse auditor's report imply? **(3 marks)**
- b) Selzon company's adverse auditor's opinion can have a significant impact on a company. How can it affect a company's stock price, ability to raise capital, and reputation in the real world? **(4 marks)**

Q2. The Media industry is proving its resilience to the world, the Indian Media industry is on the cusp of a strong growth phase, backed by rising consumer demand and improving advertising revenue. Looking at the market dynamics, the global media sector stood at Rs. 1.52 trillion in 2021 and is estimated at Rs. 2.12 trillion in 2022. Further, it is projected to grow to Rs. 2.86 trillion by 2024, due to the acceleration of digital adoption among users across geographies. The market is projected to increase at a CAGR of 23% between 2020 and 2023. Within the media sector, the Animation, Visual Effects, Gaming, and Comic (AVGC) sector is growing at a rate of 29%, while the audiovisual sector and services is rising at the rate 25%; and is recognised as one of the champion sectors by the Government of India. The media industry in India is projected to reach Rs. 155 billion by 2023, from Rs. 76 billion in 2020, due to a rapid increase in consumption. The music industry is expected to reach Rs. 23 billion by 2023, from Rs. 15 billion in 2020 at a CAGR of 15% between 2020 and 2023. By 2025, the number of connected smart televisions is expected to reach 40-50 million. 30% of the content viewed on these screens will be gaming, social media, short video, and content items produced exclusively for this audience by television, print and radio brands. Government Initiatives, the government outlined the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021 to establish a progressive institutional mechanism and a three-tier grievance redressal framework for news publishers and OTT platforms on digital media. The code has been endorsed by 17 OTT platforms including Netflix, Amazon Prime Video, Disney+ Hotstar, ZEE5, and Voot. Prasar Bharati (India) and PSM (the official State Media of Maldives) inked an agreement to facilitate collaboration and capacity building in the field of broadcasting. Digital audiovisual content including films and web shows on over-the-top (OTT) streaming platforms, as well as news and current affairs on online platforms, were brought under the Ministry of Information and Broadcasting in November 2020.

The following table highlights the key ratios of the two companies for the year ended 31st March 2023

	ZEEL	PVR INOX
Earnings Per Share (EPS)	0.50	-51.59
Current ratio	4.29	0.41
Interest coverage	16.89	1.97
PE ratio	424.50	-29.73
Gross profit margin	14.67	30.04
Asset turnover ratio	0.63	0.32

- a) What aspects of a company's operations do we understand by analyzing the financial ratios to make informed decisions as an investor? **(4 marks)**
- b) Provide an inter-firm comparative analysis between the two companies with respect to the above-mentioned ratios. **(5 marks)**

Q3. You are an experienced financial analyst tasked with evaluating the financial health of Excel Manufacturing Corporation, a publicly traded company in the manufacturing sector. As part of your analysis, you have access to Excel Manufacturing Corporation's annual report, which includes detailed financial statements as well as the "Notes to Accounts" section. In this scenario, discuss the significance of the "Notes to Accounts" in financial statement analysis and explain how they can be used to assess the company's financial position. **(5 marks)**

- Q4. The annual report is an important document for investors and other stakeholders. An annual report is a comprehensive overview of a company's financial performance and activities over the past year. It is typically produced by a company's management team and is distributed to shareholders and other stakeholders. Based on the above statement
- a) Explain how an annual report provides benefits to existing shareholders. **(2 marks)**
 - b) Discuss how an annual report can be valuable for potential investors. **(2 marks)**
