

Section II

[Each Correct answer + 1 marks; No negative marks]

Refer to Pages 4-7, Financial Report of the Bank of Baroda Limited. Did the bank have any changes in its shareholding capital (say, by way of New Issue or redemption OR buy back OR bonus OR split OR similar):

201. Clearly list down the same in the space below (if any)

- a) Issue of 6,44,20,471 Equity Shares of Rs. 2 par value each at a Share Premium of Rs. 193.59 per share
- b) Stock split from earlier Rs. 10 par value → 5 shares of Rs. 2 par value each

p.s. Refer to page 6, section c, other notes to accounts, sub-section c-2

202. Assuming 100% subscription and no forfeiture, mention the accounting entries for the issue of new equity shares in the space below (if any) along with the required share premium (if any). Please also mention the narration of the entry:

Dr. Share Allotment Rs. 1,260 Crores
Cr. Government of India ... Rs. 1,260 Crores

[Being approval of share capital issue to Government of India]

Dr. Bank Rs. 1,260 Crores
Cr. Share Allotment Rs. 1,260 Crores

[Being money received against shares allotment]

Dr. Government of India Rs. 1,260 Crores
Cr. Share Capital Rs. 12.88 Crores
Cr. Share Premium ... Rs. 1,247.12 Crores

[Being issue of 6,44,20,471 equity shares of Rs. 2 par value each to Government of India at a share premium of Rs. 193.59 per share]

Summarized solution for partial marks

Dr. Bank Rs. 1,260 Crores
Cr. Share Capital Rs. 12.88 Crores
Cr. Share Premium ... Rs. 1,247.12 Crores

[Being issue of 6,44,20,471 equity shares of Rs. 2 par value each to Government of India at a share premium of Rs. 193.59 per share]

203. Assuming 100% smooth process, mention the accounting entries for the 'stock splits' of shares in the space below (if any). Please also mention the narration of the entry:

Dr. Share Capital of Rs. 10 Par Value Rs. 429 Crores
Cr. Share Capital of Rs. 2 Par Value ... Rs. 429 Crores

[Being 42,94,15,087 equity shares of Rs. 10 par value split into 214,70,75,435 equity shares of Rs. 2 par value each]

Section III

[Each Correct answer + 1 marks; No negative marks]

Refer to Pages 4-7, Financial Report of the Bank of Baroda Limited – specifically, the **Cash Flow Statement (please focus on items with a size of more than Rs. 300 crores)**.

204. What were the major sources of cash during the last two years?

Refer to last page of this document i.e., annexure for complete solution

205. What were the major uses of cash during the last two years?

Refer to last page of this document i.e., annexure for complete solution

206. Was cash flow from operations greater than or less than net income? Explain in detail the major reasons for the differences in these two figures.

Refer to last page of this document i.e., annexure for complete solution

207. Was the firm able to generate enough cash from operations to pay for all of its expenditures?

Refer to last page of this document i.e., annexure for complete solution

208. Did the cash flow from operations cover both the capital expenditures and the firm's dividend payments, if any?

If it did, how did the firm invest excess cash?

If not, what were the sources of cash the firm used to pay for the capital expenditures and/or dividends?

Refer to last page of this document i.e., annexure for complete solution

209. Were the working capital items (current asset and current liability) accounts other than cash primarily sources of cash or uses of cash?

Refer to last page of this document i.e., annexure for complete solution

210. What other major items affected cash flows?

Refer to last page of this document i.e., annexure for complete solution

211. Based on the evidence in the Statement of Cash Flow alone, what is your assessment of the financial strength of the business (on a bankruptcy scale of 1-10, with the best getting 10)? Why?

Refer to last page of this document i.e., annexure for complete solution

Annexure for the above:

Common-size Analysis	Bank of Baroda Limited	
BALANCE SHEET		
Assets Side	FY2015(12m)	FY2014(12m)
Cash & Bank Balances	20.7	19.8
Accounts Receivable	0.0	0.0
Loans and Advances	77.0	77.8
Inventories	0.0	0.0
Current Assets	97.7	97.6
Fixed Assets	0.4	0.4
Other Assets(say, investments, goodwill, DTA, etc.)	1.9	1.9
Total Assets	100.0	100.0
Liabilities Side	FY2015(12m)	FY2014(12m)
Accounts Payable	86.4	86.3
Other Current Liabilities & Provisions	3.1	2.7
Long-term Liabilities	4.9	5.6
Net Worth	5.6	5.5
Total Liabilities	100.0	100.0
No of Equity Shares	0.0	0.0
INCOME STATEMENT	FY2015(12m)	FY2014(12m)
Total Sales	100.0	100.0
Other Income	10.2	11.5
Cost of Goods Sold(includes contract mfrg. costs)	69.3	69.3
Gross Profit	40.9	42.2
Operating/Other Expenses	33.0	30.5
PBDIT	7.9	11.7
Interest	0.0	0.0
Depreciation & Amortization	0.0	0.0
Tax	0.0	0.0
Profit After Tax	7.9	11.7
Dividend to Shareholders	2.0	2.8

Financial Ratios		Bank of Baroda Limited	
Solvency		FY2015(12m)	FY2014(12m)
	Short Term Solvency		
	Current Ratio	1.09	1.10
	Quick Ratio	1.09	1.10
	Long Term Solvency		
	Total Debt to Total Capital	16.95	17.33
	Long-term Debt to Total Capital	0.89	1.02
	Long-term Debt to Fixed Assets	12.27	13.46
	Equity Multiplier	17.95	18.33
Profitability		FY2015(12m)	FY2014(12m)
	Margin on Sales		
	Gross Profit Margin (%)	30.70	30.73
	Operating Profit Margin (%)	-2.33	0.20
	Net Profit Margin (%)	7.91	11.66
	Return on Investment		
	Operating Profit to Operating Assets (%)	-0.19	0.02
	Net Income to Total Assets (%)	0.49	0.69
	Return on Equity (%)	8.96	12.62
	Efficiency of Use of Assets		
	Total Asset Turnover	0.06	0.06
	Operating Asset Turnover	0.08	0.08
	Shareholder Equity Turnover	1.13	1.08
	Return per Share of Equity		
	Earnings per Share	15.27	104.85
	Dividends per Share (including Dividend Tax)	3.83	25.03
Other Ratios			
	Book Value per Share	179.03	830.87
	Dividend Payout Ratio (%)	25.07	23.87

Table: "Statement of Cash Flow Analysis of Bank of Baroda Limited (FY2014-15)

	FY 2015	FY 2014
Major Sources	Operations (18,020) Share Capital with Share Premium (1,260) Bonds (970)	Operations (41,010) Bonds (6,660) Share Capital with Share Premium (550)
Major Uses	Increase in Cash Balance (17,475) Interest on Bonds (1,150) Dividend (1,080) Capex (610)	Increase in Cash Balance (45,480) Dividend (1,060) Interest on Bonds (1,000) Capex (730)
CFO compared to Net Income	CFO > 0; CFO > PBT CFO up due to: - Deposits Up (48,700) - Other Liabilities & Provisions Up (4,200) But, - Advances Up (35,060) - Investments Up (6,020)	CFO > 0; CFO > PBT CFO up due to: - Deposits Up (95,000) - Investments Down (5,120) - Borrowings Up (3,600) But, - Advances Up (71,800)
CFO > Capex? Capex > Depreciation?	Yes Capex (610) > Depreciation (340)	Yes Capex (730) > Depreciation (345)
CFO > Capex + Dividend	Yes	Yes
Excess Cash Invested	Increase in Cash Balance	Increase in Cash Balance
Sources of Cash for Dividends + Capex	NA	NA
Other Major Items Affecting Cash Flows	Bonds and Share Capital Issue	Bonds and Share Capital Issue
Trends		
Income	No Change (+5,420)	+5,497
CFO	Decreasing (+18,020)	+41,010
Capex	Decreasing (+610)	+730
Dividends	No Change (+1080)	+1060
Net Borrowing	Yes, Borrower	Yes, Borrower
Working Capital	Deposits is Source; Advances & Investments are Use	Deposits is Source; Advances is Use
Overall Assessment	Poor profitability and low business opportunities, lead to a laid back 'Cash Flow from Operations' figures. Trends look absolutely dull. It is as if another gritty innings by Rahul Dravid in English playing conditions. Appears to be in a highly maturing business and is even struggling to get new business – leading to increasing cash balance (this is a kind of inventory for bank sector). Thus, a major concern is the unnecessarily high (unused) cash. (Bankruptcy Rating, on a scale of 1-10: 6)	