



Sir Afnan  
11/ March / 22  
faizanahmadaf2@gmail.com

Peshawar 

**CFA Level 1 Candidate**

**BS (Accounting & Finance) ACCA Accredited**

Major in Accounting & Finance

## FSC Pre-Engineering

Major in Physics,  
Chemistry & Math

## QuickBooks (06/2020 - 09/2020)

*Creating Charts of Accounts, Customers, Vendors, Managing Accounts Payables, Accounts Receivables and Inventory, Recording day-to-day Transaction.*

## Excel Skills for Business: Essentials

(03/2020 - 04/2020)

### Formatting, Sorting, Conditional Formatting and Charts.

## Excel Skills for Business: Intermediate I

(04/2020 - 05/2020)

*Working with multiple Worksheets, Summarizing Data, Tables Pivot Tables & Pivot Charts and Slicers.*

## Excel Skills for Business: Intermediate II

(05/2020 - 06/2020)

*Data Validation, Applying Conditional logics, Automating Lookups, Protecting Sheets & Workbooks and Macros.*

## Excel Skills for Business: Advanced (06/2020 - 07/2020)

Spreadsheet Design & Documentation, Financial Modeling & Financial Functions and Building a Professional Dashboard.

## LANGUAGES

English

Urdu

Pashto

## INTERESTS

## Fitness

## Kick Boxing



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

**Total sections: IV**

**SUGGESTED ALLOCATED TIME: 100 MINUTES**

Part 1: General knowledge: 14/20

Part 2: Financial Concepts: 2/10

Part 3: Financial Analysis: 25/40

Part 4: A look into yourself: 14/30

**Total Marks: 55**

**Percentage: 55%**


Name: Faizan Ahmad.

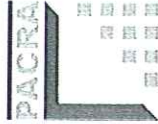
Date: 11-03-2022

Signature: Faizan

**Kindly Rank the difficulty level of the Test:**

1	2	3	4	5
Piece of Cake	Easy	Normal	Difficult	Very Difficult

  
14-03-2022



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

### Part I – General Knowledge

Total Marks: 20

(Number of Questions: 10)

(All Questions carry equal marks)

1. The most common monetary policy tool used by a central bank is:

- ☒ a. discount rate
- b. open market operations
- c. persuading banks to tighten or loosen their credit limits
- d. bank's reserve requirement

2. Credit ratings, despite their numerous other uses, exist primarily to:

- a. Help investors assess the overall systematic risk they face when making certain kinds of investments.
- b. Help investors assess the operational, credit and market risks they face when making certain kinds of investments.
- c. Help investors assess the credit and market risks they face when making certain kinds of investments.
- ☒ d. Help investors assess the credit risks they face when making certain kinds of investments/landings.

3. The Black Scholes Model is primarily used for Pricing;

- a. Common Shares of Companies
- b. Debt Instruments
- ☒ c. Options
- d. Preference Shares
- e. All of the Above

4. Having all executive directors on board ensures protection of rights for all stakeholders in the company. T / F

5. First CRA in Pakistan was established in:

- a. 1995
- b. 1992
- ☒ c. 1994
- d. 1997

6. In Pakistan, Bond pricing Agency was established in:

- ☒ a. 1994
- b. 1997
- c. 2000
- d. None of above

7. If there are three apples and you take away two, how many do you have? 2

8. Which number should come next in the series: 1, 3, 6, 10, and 15? 21



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

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9. At the end of a banquet 10 people shake hands with each other. How many handshakes will there be in total?

- a. 100
- ☒ b. 20
- c. 45
- d. 50
- e. 90

10. A certain five letter word becomes shorter when you add two letters to it. What is the word?

Shorter.



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

### Part II – Corporate Finance Concepts

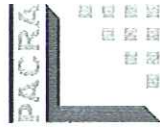
Total Marks: 10

(Number of Questions: 5)

(All Questions carry equal marks)

1. If a company issues bonus shares, the debt to equity ratio will:  
☒ a. Remain unaffected  
☒ b. Impair  
☐ c. Improve  
☐ d. None of the above.
2. Ability to repay one's financial commitments is represented by:  
☒ a. Debt-to-equity ratio  
☐ b. Return on equity  
☐ c. Cash flows coverage  
☐ d. Asset Turnover
3. ABC Inc. is issuing bonds to obtain the funding necessary to acquire a major competitor. Review of the balance sheets indicates that ABC has also issued preferred and common stock in the past. Which component cost(s) should ABC use in evaluating the financial cost of acquiring the new firm?  
☐ a. The weighted average component cost of common stock, preferred stock, and debt  
☐ b. The price the firm paid for its assets divided by their market value  
☐ c. Shareholders' equity  
☒ d. The cost of the new debt issue alone
4. Which of the following would NOT improve the current ratio?  
☒ a. Borrow short term to finance additional fixed assets.  
☐ b. Issue long-term debt to buy inventory.  
☐ c. Sell common stock to reduce current liabilities.  
☐ d. Sell fixed assets to reduce accounts payable.
5. Consider the scenario where the government imposes a cap on the price of sugar at 10% below the market price. All other factors being constant, the credit risk of the sector  
☐ a. Increases.  
☐ b. Decreases.  
☐ c. Remains unaffected.  
☒ d. Not enough information to decide.





## THE PAKISTAN CREDIT RATING AGENCY LIMITED

### Part III – Financial Analysis

Total Marks: 40

(Number of Questions: 10)

You are required to answer each question in not more than 4-5 lines

The Financials of ABC Limited has been attached for further analysis.

#### 1. COMPANY PROFILE

**1.1. ABC Limited** (ABC), a leading name in the cement manufacturing industry in Pakistan, was established under the management control of State Cement Corporation of Pakistan Limited in September 1978 and started its commercial production in April 1986. **ABC Limited** operates two cement plants in northern parts of the country, with a combined capacity of 4mln MT per annum. The company produces two kinds of cement: Ordinary Portland Cement and Sulphate Resistant Cement.

#### 2. BUSINESS RISK

**2.1. Cement Industry:** Pakistan's cement industry comprises 29 plants with an annual cement capacity of approximately 44.2mln MT. Total cement demand was 31.4mln MT in FY13 (FY12: 34.3mln MT), of which, domestic demand stood at 22mln MT. Due to the absence of a supportive environment for business growth, local demand and utilization has remained subdued accordingly declining by 6.6% YoY. Meanwhile, exports clocked in at 9.4mln MT (-11.6% growth YoY). In line with the drop seen in dispatches, capacity utilization of the industry was slightly lower at 76.2% during FY13.

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Industry Data	FY17	FY16	FY15
Production	41.2	44.7	41.8
Total Dispatches	31.4	34.3	31.3
Local Dispatches (North)	17.9	20.2	17.1
Local Dispatches (South)	4.1	3.4	3.5
Export Dispatches	9.4	10.7	10.8
Capacity Utilization	76.20%	76.60%	74.90%
Coal Prices (USD/ton)	108.2	75.9	94.9

**2.1.1.** Lucky Cement is the largest cement manufacturer in the country having an annual production capacity of 7.1mln MT. Lucky's plant is located in the southern region although the majority of the cement plants are located in the northern part of the country (35.4mln MT capacity). In terms of production capacity, the top 5 companies comprise more than 50% of total installed capacity of the industry.

**2.2.** **ABC Limited**, by virtue of its location in the North, enjoys strategic advantage of being in close proximity of major consumption centers and availability of effective and economical channels of distribution with lower incidence of freight costs for domestic sales. The raw materials (limestone, clay, and gypsum) used in cement production are also located near the plant. Furthermore, the addition of a second production facility – taking the overall capacity of the company to 4.01MT per annum – has also opened export avenues



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

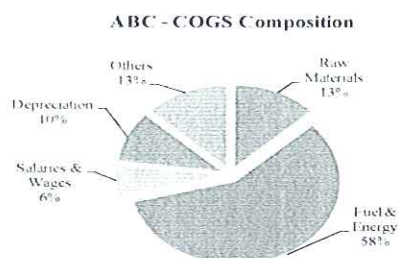
to Afghanistan from northern borders. The plant augmented both the domestic sales and exports of the company.

(PKR mln)

Performance Indicators	FY17	FY16	FY15
Capacity (mln MT per annum)	4.0	4.0	4.0
Capacity Utilization	93%	116%	98%
Cement Sales (mln tons)	4.17	4.91	3.85
<i>Local</i>	2.86	4.10	2.83
<i>Export</i>	1.30	0.81	1.02
Total Sales (PKR mln)	18,577	16,275	18,038
Turnover Growth	14.1%	-9.8%	44.9%
Gross Margins	23.6%	16.6%	31.5%
Net Profit (PKR mln)	170.9	233.0	525.6
Net Margins	0.92%	1.43%	2.91%

2.3. The key highlights of the performance of the company are:

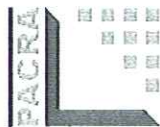
- Sales revenue up by 14.1% YoY.
- Fuel and Energy constitutes majority of the total production cost
- Other Operating Income constantly supporting the bottom line.
- Increase in financial charges



2.4. During the year, other income earned by the company was as follows:

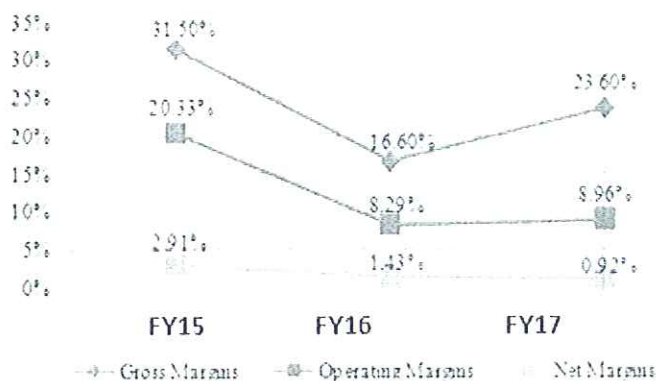
(PKR mln)

Other Income	FY17	FY16	FY15
Dividends from associates	951	766	707
Profit/(Loss) on sale of assets	22	21	13
Surplus/(Deficit) on revaluation	-119	-	-257
Other operating income/(expense)	79.1	3.7	-18.1



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

ABC Limited - Margins



### 3. FINANCIAL RISK

**3.1.** ABC Limited enjoys strong financial strength, which is depicted by its association with its wealthy sponsors having other business concerns in the textiles, power generation and real estate sectors. The sponsors carry the requisite ability and have demonstrated support to inject equity in the company, in case the need arises.

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**3.2.** During the year, the financial performance of the company was as follows;

- Debt maturity mismatch
- Right issue announced thrice over the past three years
- Highly volatile Equity base
- Substantial revaluation reserve
- Large change in net cash cycle compared to last year (PKR mln)

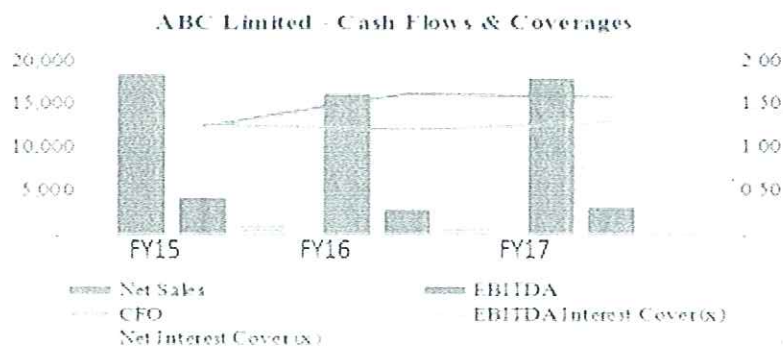
Performance Indicators	FY17	FY16	FY15
Investments	17,386	15,437	10,958
Long-term Debt (LTD)	4,881	5,089	4,376
Short-term Debt	8,692	9,585	9,069
Current Maturity of LTD	2,002	2,139	4,764
Equity	30,217	26,519	20,918





## THE PAKISTAN CREDIT RATING AGENCY LIMITED

Cash Flow from Operations	340	842	1,148
Net Cash Cycle	-16.63	12.65	6.22
EBITDA coverage ratio (x)	1.57	1.62	1.82
Total Debt Payback Period (years)	5.57	5.26	4.75
Industry av. EBITDA coverage (x)	5.45	3.48	1.8
Industry av. Debt Payback period (years)	5.69	6.54	3.14



### Questions: (Use attached financials to answer questions wherever necessary)

- The support analyst has noted that cement prices volatility is the main reason behind revenue fluctuations observed over the past three years. Calculate the price of cement over last three years and state whether you agree or disagree with his observation? [4]
- The Rating Committee observes that ABC Limited is outperforming the industry in terms of capacity utilization levels. Cite a possible reason and comment on overall cement supply & demand dynamics in the industry. [4]
- Identify the company's main input cost. Write down two possible risks that the company faces with respect to this cost? [4]
- ABC Limited's Finance Manager states that the company's bottom-line is supported by substantial *non-core income* generated through dividend received from its subsidiaries. He argues that this should be considered a positive factor for ABC's rating, even if it is not the company's core income. Do you agree with the Finance Manager? Support your answer with reasons. [4]
- Your Rating Manager wants to know that why ABC Limited's operating and net margins have not improved as much as its gross margins in FY17. Give him a possible explanation. [4]
- Analyst 1 and Analyst 2 are in an argument. Analyst 1 believes that Net Profit is the better indicator of debt-repayment ability as it depicts actual profitability, while Analyst 2 is arguing in favor of Cash Flow from Operations (CFO). Who do you agree with and why? [4]
- You have noticed that the EBITDA coverage ratio for ABC Limited is significantly below the industry average. Is this a positive factor for rating? Support your answer with a reason. [4]



THE PAKISTAN CREDIT RATING AGENCY LIMITED

Name: Faizan Ahmad. Qualification: BS: Accounting & Finance.  
Date: 11-03-2022. DOB: 27-09-201999

**Part IV – A look into your self**

**1. Describe yourself in your words**

I am a fitness lover and also goes to practice boxing sometimes. Chose Accounting & Finance by chance but then developed my interest in Finance.

(3)

**2. Take an account of your journey in life so far, your education, experiences.....**

I have done schooling from PMS boy 5, FSc from Government College Peshawar. BS from Institute of management sciences, Peshawar. Currently given CFA level 1 exam.

(3)



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

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8. Your manager points out that the net cash cycle has turned negative in FY17. Give plausible reasons as to why could this have occurred and if this is favorable for the company or not? [4]
9. The rating committee sees a decline in leveraging as a positive factor for the company. They want to know how the company has reduced leveraging despite lower profitability. [4]
10. Using some of the conclusions drawn from the questions above, conclude your analysis by proposing a rating for **ABC Limited** to the rating committee. You should also give a brief rationale (2-3 lines). [4]



**THE PAKISTAN CREDIT RATING AGENCY LIMITED**

3. What is your understanding of the position being offered?

It is Financial Analyst Position. Where financial analysis of public listed companies is done.

(2)

4. Current salary and expected salary (now and 2 years from now).

Expected salary  $\Rightarrow$  40,000 - 50,000.

2-years from now  $\Rightarrow$  100,000.

(2)

5. Your goals [short term, medium term, long term] both personal and professional.

Short term goal: Pass all three levels of CFA.

Medium Term: CFA charter.

Long Term: To be at successful position in my profession.

(4)



## BALANCE SHEET as at

## ABC Limited (ABC)

30-Jun-17

30-Jun-16

30-Jun-15

## A NON-CURRENT ASSETS

- 1 Operating Fixed Assets - Owned and Leasehold
- 2 Intangible Assets
- 3 Other Non-Current Assets

25,985.48

25,772.65

26,096.00

Non-Current Assets

26,118.70

25,931.33

26,262.94

## B INVESTMENTS

- 1 Associates / Subsidiaries
  - a. Equity
  - b. Debt Securities / Loans

17,385.77

15,437.89

10,957.96

-

-

-

17,385.77

15,437.89

10,957.96

- 1 Investment Property

-

-

-

- 2 Other Investments
  - a. Equity Securities
  - b. Debt Securities

-

-

-

-

-

0.52

-

-

-

-

-

0.52

Investments

17,385.77

15,437.89

10,958.48

## C CURRENT ASSETS

- 1 Inventories
  - a. Stores and Spares
  - b. Stock-in-trade (WIP and Finished Goods)

3,543.03

3,017.74

2,935.88

862.14

1,036.88

899.84

4,405.18

4,054.62

3,835.72

- 2 Trade Receivables

459.30

303.95

513.97

- 3 Other Current Assets

1,136.56

1,087.16

908.10

- 4 Cash and Bank Balances

167.64

230.79

243.84

Current Assets

6,168.68

5,676.52

5,501.62

## D TOTAL ASSETS (A+B+C)

49,673.14

47,045.74

42,723.04

## E CURRENT LIABILITIES

- 1 Borrowings
  - a. ST Borrowings
  - b. Current portion of LT borrowings

8,691.98

9,585.34

9,068.58

2,001.57

2,139.28

4,763.94

10,693.55

11,724.63

13,832.52

- 2 Trade Payables

1,644.05

376.31

946.11

- 3 Other Current Liabilities

284.51

1,649.87

1,021.08

- 4 Provision for Taxation

35.09

35.09

35.09

- 5 Dividend Payable

-

-

-

Current Liabilities

12,657.19

13,785.89

15,834.80

## F NON-CURRENT LIABILITIES

- 1 Borrowings
- 2 Due to Associates
- 3 Other Non-Current Liabilities

4,880.58

5,089.51

4,375.84

-

-

-

1,917.99

1,651.13

1,593.96

Non-Current Liabilities

6,798.57

6,740.63

5,969.80

## G NET ASSETS (D-E-F)

30,217.38

26,519.22

20,918.44

## H SHAREHOLDERS' EQUITY

- 1 Ordinary Share Capital
- 2 Preference Share Capital
- 3 Share Premium Account
- 4 Revaluation Reserve
  - a. Fixed Assets
  - b. Investments

4,381.28

3,650.99

3,042.49

-

-

-

4,557.16

3,826.97

3,218.47

-

-

-

15,328.39

13,261.69

9,110.93

15,328.39

13,261.69

9,110.93

- 5 Revenue Reserves

5,071.83

5,071.83

5,071.83

- 6 Unappropriated Profit

878.71

707.75

474.73

Shareholders' Equity

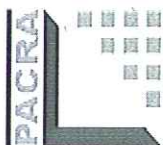
30,217.38

26,519.22

20,918.44

**PROFIT & LOSS ACCOUNT for the period ended**
**ABC Limited (ABC)**

	30-Jun-17	30-Jun-16	30-Jun-15
<b>A Turnover</b>	18,577.20	16,275.35	18,038.21
<b>B Operating Costs</b>	(14,192.23)	(13,569.99)	(12,358.48)
<b>C Gross Profit</b>	4,384.97	2,705.36	5,679.73
<b>D Operating Expenses</b>			
1 Administrative and General Expenses	(211.36)	(172.44)	(141.85)
2 Selling and Marketing Expenses*	(2,508.56)	(1,183.43)	(1,871.52)
	(2,719.93)	(1,355.87)	(2,013.37)
<b>E Operating Profit / (Loss)</b>	1,665.04	1,349.49	3,666.36
<b>F Income From Associates</b>			
1 Dividend	951.35	765.93	707.23
2 Share of Profit/(Loss)	-	-	-
	951.35	765.93	707.23
<b>G Others</b>			
1 Profit/(Loss) on Sale of Assets	21.74	20.61	13.27
2 Income from Investments	-	-	0.07
3 Surplus / (Deficit) on revaluation	(118.84)	-	(257.39)
4 Other Operating Income/(Expense)	79.05	3.65	(18.10)
5 Extraordinary Items	-	-	-
	(18.05)	24.26	(262.16)
<b>H Profit / (Loss) before Financial Charges</b>	2,598.35	2,139.68	4,111.43
<b>I Financial Charges</b>			
1 Interest Income	54.52	121.49	2.71
2 Interest Expense	(2,051.68)	(1,902.76)	(2,606.36)
3 Foreign Exchange Gain/(Loss)			(730.89)
	(1,997.16)	(1,781.28)	(3,334.53)
<b>J Profit / (Loss) before Taxation</b>	601.19	358.40	776.90
<b>K Taxation</b>	(430.23)	(125.38)	(251.32)
<b>L Net Income / (Loss)</b>	170.96	233.02	525.58
<b>M Unappropriated Profit/(Loss) Brought Forward</b>	707.75	474.73	(50.85)
<b>N Available for Appropriation</b>	878.72	707.75	474.73
<b>O Appropriations</b>			
1 Reserves	-	-	-
2 Dividends			
a. Stock	-	-	-
b. Cash	-	-	-
<b>P Effect of change in Accounting Policy (+/-)</b>			
<b>Q Unappropriated Profit Carried Forward</b>	878.71	707.75	594.59



(PKR mln)

**ABC Limited (ABC)**

**CASH FLOW STATEMENT for the period ended**

**30-Jun-17**

**30-Jun-16**

**30-Jun-15**

**A CASH FLOWS FROM OPERATING ACTIVITIES**

1 Profit Before Tax	601.19	358.40	776.90
2 Adjustments for:			
a. Depreciation/Amortization	1,430.41	1,392.56	1,368.95
b. Interest Expense/(Income)	2,051.68	1,902.76	3,294.34
c. Others (+/-)	(951.35)	(766.40)	(707.23)
	2,530.73	2,528.93	3,956.06
<b>EBITDA</b>	<b>3,131.93</b>	<b>2,887.33</b>	<b>4,732.96</b>
3 Adjustments for other Non-Cash Charges/Items	118.63	51.88	291.74
	3,250.55	2,939.20	5,024.70
4 Changes in Working Capital			
a. (Increase)/Decrease in Current Assets	(418.91)	11.04	(1,260.33)
b. Increase/(Decrease) in Current Liabilities (Excl. Debt)	(35.71)	244.35	65.62
	(454.62)	255.40	(1,194.71)
<b>Cash Generated from Operations</b>	<b>2,795.94</b>	<b>3,194.60</b>	<b>3,829.99</b>
5 Financial Charges Paid	(2,113.59)	(2,088.11)	(2,439.25)
6 Taxation Paid	(312.12)	(260.49)	(235.68)
7 Others (+/-)	(30.04)	(4.00)	(7.06)
	(2,455.75)	(2,352.59)	(2,681.99)
<b>Net Cash provided by Operating Activities</b>	<b>340.19</b>	<b>842.01</b>	<b>1,147.99</b>

**B CASH FLOWS FROM INVESTING ACTIVITIES**

1 Capital Expenditure	(1,672.61)	(1,079.49)	(1,995.63)
2 Proceeds from sale of Fixed Assets	39.39	16.79	4.08
4 (Purchase)/Sale of Investments	-	(249.45)	(38.88)
5 Income from Investments	993.50	768.95	749.45
6 Others	23.69	8.49	356.11
<b>Net Cash (Used in)/Available From Investing Activities</b>	<b>(616.03)</b>	<b>(534.71)</b>	<b>(924.88)</b>
<b>C Cash In/(Out) Flow Pre-Financing</b>	<b>(275.85)</b>	<b>307.29</b>	<b>223.11</b>

**D CASH FLOWS FROM FINANCING ACTIVITIES**

1 Proceeds from Issue of Ordinary Shares	1,460.40	1,216.99	1,014.16
2 Dividends Paid	(0.00)	(0.03)	(0.53)
3 Net increase (decrease) in short term borrowings	(893.36)	-	-
4 Net increase (decrease) in long term borrowings	(346.65)	-	(2,689.69)
5 Rentals against finance lease	-	-	(1.14)
6 Others (+/-)	-	-	-
	220.39	1,216.96	(1,677.20)
Non recurring/unusual and non core (expense) income	-	-	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>830.51</b>	<b>(530.12)</b>	<b>(1,454.09)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>(9,354.85)</b>	<b>(8,824.73)</b>	<b>(7,370.65)</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>(8,524.34)</b>	<b>(9,345.85)</b>	<b>(8,824.73)</b>





## ABC Limited (ABC)

### RATIO ANALYSIS

30-Jun-17

30-Jun-16

30-Jun-15

#### A EARNINGS/PROFITABILITY

1 Turnover Growth	14.14%	-9.77%	44.93%
2 Gross Margin	23.60%	16.62%	31.49%
3 Operating Margin	13.99%	13.15%	#REF!
4 Pre-Tax Profit Margin	3.24%	2.20%	4.31%
5 Net Profit Margin	0.92%	1.43%	2.91%
6 Effective Tax Rate	71.56%	34.98%	32.35%
7 Pre-Tax Return on Equity	1.99%	1.35%	3.71%
8 Return on Equity (ROE)	0.57%	0.88%	2.51%
9 Return on Assets (ROA)	0.34%	0.50%	1.23%

#### B COVERAGE

1 Short-term Debt Payback (Years)	3.82	3.67	3.61
2 Total Debt Payback (Years)	5.57	5.26	4.75
3 Net Debt Payback (Years)	5.51	5.19	4.55
4 Net Debt / EBITDA	4.92	5.74	4.36
5 EBITDA Net Interest Cover (X)	1.57	1.62	1.82
6 Net Interest Cover (X)	0.30	0.20	0.30

#### C LIQUIDITY

1 Current Ratio (X)	1.86	1.53	1.04
2 Quick Ratio (X)	1.51	1.24	0.80
3 Average Inventory Held (Days)	0.00	12.09	19.87
4 Average Trade Debtors (Days)	4.51	9.17	8.90
5 Gross Cash Cycle (Days)	4.51	21.26	28.78
6 Average Trade Creditors (Days)	21.14	8.61	22.56
7 Net Cash Cycle (Days)	(16.63)	12.65	6.22

#### D FINANCIAL STRUCTURE

1 Current Debt/Total Debt	68.66%	69.73%	75.97%
2 Total Debt/Equity	51.54%	63.40%	87.04%
3 Net Debt/Equity	50.99%	62.53%	85.88%
4 Equity/Total Assets	60.83%	56.37%	48.96%
5 Total Debt/Adjusted Equity (Net of Rev. Surplus)	104.60%	126.83%	154.21%
6 Total Liabilities/Equity	64.39%	77.40%	104.24%
7 Total Debt/(Total Debt+Equity)	34.01%	38.80%	46.54%
8 Average Borrowing Cost	12.82%	10.59%	14.30%



Answer #1 :-

$$FY17 : \frac{18,577}{4.17} = 4,454.91.$$

$$FY16 : \frac{16,275}{4.91} = 3314.66$$

$$FY15 : \frac{18,038}{4.385} = 4685.19.$$

I agree with the support analyst conclusion regarding revenue fluctuations. (3)

Answer #2 :-

The most possible reason for outperforming in the industry is more sales in the local market and less exports. As we have seen the per ton U.S prices had declined over the years.

The overall demand for ABC has fell down by 6.6% yearly But had an advantage (3)

in the north region as the local dispatches in the north region are more than south.

Because major consumption centres and distribution channels are in the north region.

Answer # 3:-

The main input cost is the production cost of fuel and energy.

The main input cost is fuel & energy used in production.

1  $\Rightarrow$  This is associated with the operating income of the firm. i.e. Degree of operating leverage.

2  $\Rightarrow$  Also associated with the financial risk of the firm i.e. Earning ~~After~~ Before Taxes. or Degree of Financial leverage.

3

Answer #4:-

I agree with the Finance Managers Point of view. General method of credit evaluation includes EBIT or EBITDA. Dividends received should be included in this. (2)

Answer #5:-

operating income is not improved due to the deficit in the revaluation of assets.

net profit is reduced due to the increased financial charges. (2)

Answer #6:-

(4) I believe that analyst 2 is most accurate. Because net profits are best indicators of performance, while cash flows from operations is best indicator of debt-repayments as CFO is best describes physical cash inflow/outflow from the firm.

Answer #7:-

It is not a positive factor for credit rating of the firm. As EBITDA shows us the earnings that would be enough to repay its debt obligation. If this ratio is low, it means company do not have sufficient earnings. (3)

Answer #8:-

Net cash cycle has turned into negative most probably due to the decrease in collection of its receivables. It is not favorable for the company. (0)



Answer # 9:-

Investors from textile industry has bought the shares of ABC Limited. Hence, equity has increased from the past year and leverage had declined.

(2)

Answer # 10:-

I would give the ABC Limited a low credit rating due to following reasons:-

1- Cash Flow from Operation had declined.

2- EBITDA is very much low as compared to the industry average.

(3)

This tells us that company is not in a condition to fulfill its obligations.