

B. COM
Fifth Semester
FINANCIAL STATEMENT ANALYSIS
(ACCOUNTANCY)
(BCM – 25 A)

Duration: 3Hrs.

Full Marks: 70

Part-A (Objective)=20
Part-B (Descriptive)=50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

Answer any five of the following questions:

1. Describe the different techniques of financial statement analysis. (10)
2. The following is the summaries of the Balance Sheets of Thakuri Ltd. as at 31st December, 2010 and 2011: (10)

Liabilities	2010 Rs.	2011 Rs.	Assets Rs.	2010 Rs.	2011 Rs.
Share Capital	2,00,000	2,50,000	Land &	2,00,000	1,90,000
General Reserve	50,000	60,000	Building	1,50,000	1,74,000
Profit & Loss A/c	30,500	30,600	Plant	1,00,000	74,000
Bank Loan (Short term)	70,000	-----	Stock	80,000	64,200
Creditors	1,50,000	1,35,200	Debtors	500	600
Provision for Taxation	30,000	35,000	Cash	-----	8,000
			Bank		
Total	5,30,500	5,10,800	Total	5,30,500	5,10,800

Additional Information:

- (i) Depreciation was written off plant Rs.14,000 in 2011.
- (ii) Dividend of Rs.20,000 was paid during 2011.
- (iii) Income Tax provision made during the year was Rs.25,000.
- (iv) A piece of land has been sold during the year at cost.
- (v) Net increase in working capital is Rs.51,100.
- (vi) Consider provision for taxation as long-term liability.

You are required to prepare a statement showing sources and application of funds for the year 2011.

3. Following is the summary of Balance Sheets of X Ltd. as at 31st March, 2012 and 2013: (10)

Balance Sheets as at 31st March, 2012 and 2013

Equity & Liabilities	31 st March 2012 (Rs.)	31 st March 2013 (Rs.)	Assets	31 st March 2012 (Rs.)	31 st March 2013 (Rs.)
Shareholder's Funds:			Non Current Assets:		
Share Capital	80,000	90,000	Fixed Assets	40,000	56,000
Profit and Loss A/c	30,000	46,000	Current Assets:		
Current Liabilities:			Stock	20,000	14,000
Creditors	20,000	30,000	Debtors	60,000	90,000
Liabilities for expenses	6,000	10,000	Cash	10,000	12,000
Income Received in Advance	4,000	2,000	Prepaid Expenses	6,000	4,000
			Deferred Expenses	4,000	2,000
Total	1,40,000	1,78,000	Total	1,40,000	1,78,000

Additional Information:

- (i) Old Machine was sold for Rs.8,000, written down value of machine was Rs.6,000.
- (ii) Dividend of Rs.8,000 was paid during the year.
- (iii) Depreciation has been charged during the year Rs.4,000.

Prepare a Cash Flow Statement for the year ended 31st March, 2013.

4. Answer the following: (10)
- (a) From the following information relating to A Ltd. prepare a comparative income statement showing the percentage increase/decrease in 2012/13 over 2011-12.

Particulars	2011-12	2012-13
Revenue from Sales	12,00,000	18,00,000
Materials Consumed	6,00,000	9,60,000
Manufacturing, Office and Selling Expenses	4,00,000	5,60,000
Income Tax	1,00,000	1,40,000
Profit	1,00,000	1,40,000

(b) Following are the Balance Sheet of Mustak Ltd. as at 31st December, 2012 and 2011:

Particulars	2012 Rs.	2011 Rs.
I. Equity & Liabilities:		
a. Shareholders' Funds:		
Share Capital	1,50,000	1,00,000
Reserve & Surplus	1,00,000	1,00,000
b. Non-Current Liabilities:		
Long-term Borrowings (Loans)	50,000	30,000
Current Liabilities		
	3,80,000	2,50,000
II. Assets:		
a. Non-Current Assets:		
Fixed Assets	3,00,000	2,00,000
b. Current Assets	80,000	50,000
	3,80,000	2,50,000

Prepare a Comparative Balance Sheet.

Annual Report is an effective and most popular medium of corporate reporting."

Discuss. (10)

6. Answer the following: (10)

(a) From the following calculate:

Debtors Turnover ratio, Average Debt Collection Period, Creditors Turnover ratio and Average Creditors Payment Period.

Sales- Rs.12,00,000; Debtors- Rs1,80,000; Bills Receivable- Rs.20,000;

Purchases- Rs.8,00,000;Creditors Rs.1,50,000 and Bills Payable Rs.10,000.

(b) From the following extracts of Balance Sheets and additional information, calculate Cash Flow from Financing Activities ARSR Ltd:

Balance Sheets

Particulars	As at 01.04.2012 (Rs.)	As at 031.03.2013 (Rs.)
Equity Share Capital	5,00,000	7,00,000
6% Preference Share Capital	2,00,000	1,50,000
10% Debentures	1,80,000	1,50,000
Loan from Banks	1,00,000	80,000
Public Deposits	50,000	75,000
Securities Premium		10,000
Capital Reserve		300

Additional Information:

- (i) Preference Share Capital are redeemed at a premium of 5%.
- (ii) Debentures are purchased from open market at Rs.99 and the same are cancelled.
- (iii) Dividend was paid on Equity Shares @10% on the closing capital.
- (iv) Interest was paid on:
 - (a) Debenture Rs.15,000
 - (b) Bank Loan Rs.10,000
 - (c) Public Deposit Rs.7,000

7. Following is the Balance Sheet of Limbu Ltd. as on 30th June, 2013: (10)

Particulars	Amount (Rs)
I. Equity and Liabilities	
Shareholders' Funds:	
Share Capital:	
Equity share capital	3,00,000
9% Preference share capital	1,00,000
Reserves and surplus:	
General reserve	50,000
Non-current liabilities:	
10% Debentures	2,00,000
Long-term loans	25,000
Current liabilities:	
Bills payable	1,00,000
Outstanding Expenses	25,000
Creditors	1,00,000
Total	9,00,000
II. Assets	
Non-current liabilities:	
Fixed Assets	6,00,000
	50,000
Investments	
Current assets:	50,000
Inventory	1,00,000
Debtors	1,00,000
Cash and Bank	9,00,000
Total	

You are required to calculate:

- a) Debt-Equity Ratio (Long-term Debt to Equity)
- b) Proprietary Ratio
- c) Solvency Ratio
- d) Current Ratio
- e) Acid Test Ratio

8. Explain the following (any *four*):

(2.5×4=10)

- (a) Limitations of financial statements analysis.
- (b) Objectives of Fund Flow Statement.
- (c) Directors' Responsibility Statement.

(d) Auditor's reports.

(e) Distinguish between cash flow and fund flow statements.

(f) Vertical and horizontal analysis of financial statements.

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Marks – 20

(PART A- Objective Type)

I. Choose the correct answer:

1×20=20

1. Which analysis is considered as dynamic?
a) Horizontal Analysis c) Internal Analysis
b) Vertical Analysis d) External Analysis
2. Main objective of analysis of financial statements is:
a) To know the financial strength.
b) To make a comparative study with other firms.
c) To know the efficiency of management.
d) All of the above.
3. Fixed Assets of a company increased from Rs.3,00,000 to Rs.4,00,000. What is the percentage of change?
a) 25 % b) 35 % c) 15 % d) 33.33 %
4. In the Balance Sheet of a Common Size Statement:
a) Figure of share capital is assumed to be 100.
b) Figure of current liabilities is assumed to be 100.
c) Figure of fixed assets is assumed to be 100.
d) Figure of total assets is assumed to be 100.
5. While calculating cash flow from operating activities which will be added:
a) Increase in Inventory c) Decrease in Bills Payable
b) Increase in Creditors d) Increase in Bills Receivables
6. An example of cash flow from operating activity is:
a) Purchase of own debentures c) Interest paid on term-deposits by a bank
b) Sale of fixed assets d) Issue of equity share capital
7. Which of the following is a non-current item?
a) Securities Premium c) Sundry Creditors
b) Payment of Wages d) Bank Balance

8. Which of the following will result into application of funds?
a) Sale of plant
b) Payment of dividend
c) Issue of share capital
d) Payment of creditors
9. As per Companies Act, 2013, the Balance Sheet of a company is required to be presented in.....
a) Horizontal Form
b) Vertical Form
c) Either Horizontal or Vertical Form
d) None of these
10. Which of these will cause change in working capital?
a) Payment of creditors in cash.
b) Realization of amount due from the debtors.
c) Sale of office equipment for cash.
d) Providing depreciation on fixed assets.
11. The National Financial Reporting Authority shall consist of a chairperson and members not exceeding.....
a) 10
b) 15
c) 20
d) 25
12. In the long run, a business must generate positive net cash flow from which of the following activities, if it is to survive?
a) Investing activities
b) Financing activities
c) Non cash activities
d) Operating activities
13. If you only knew a company's total assets and total debt, which item could you easily calculate?
a) Sales
b) Depreciation
c) Total equity
d) Inventory
14. Which of the following is a liquidity ratio?
a) Quick ratio
b) P/E- ratio
c) Inventory turnover
d) Equity multiplier
15. The degree of solvency of two firms can be compared by measuring:
a) Net worth
b) Tangible Net Worth
c) Asset coverage ratio
d) Solvency Ratio
16. Proprietary ratio is calculated by:
a) Total assets/Total outside liability.
b) Total outside liability/Total tangible assets.
c) Fixed assets/Long term source of fund.
d) Proprietors' Funds/Total Tangible Assets.
17. Current ratio of a concern is 1, its net working capital will be:
a) Positive
b) Negative
c) Nil
d) None of the above
18. Which of the following would represent a cash flow from financing activities?
a) Receipts from sale of plant and equipment
b) Payment of Salaries
c) Gain on sale of plant asset
d) Loan Taken

19. Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current Assets.

- a) Rs.10,000
- b) Rs.40,000
- c) Rs.24,000
- d) Rs.6,000

20. U/s 135 of Companies Act, 2013, every company shall constitute a Corporate Social Responsibility Committee having _____ during any financial year.

- a) net worth of Rs.500 crore or more
- b) turnover of Rs.1,000 crore or more
- c) a net profit of Rs.1 crore or more
- d) all of three above
