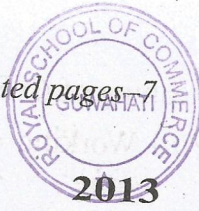


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4 (Sem 5) FNSEA

## FINANCIAL STATEMENT ANALYSIS

Paper : 505

Full Marks : 80

Time : Three hours

*The figures in the margin indicate full marks for the questions.*

1. Answer as directed :
  - (a) Write the meaning of (i) Assets, (ii) Income and (iii) Expense in the context of Financial Statements. 3
  - (b) Write two objectives of Financial Statement Analysis. 1
  - (c) How is ROI computed? 1
  - (d) Write two limitations of Accounting Ratios. 1

Contd.

(e) Write the meaning of (i) Fund Flow (ii) Cash Flow and (iii) Working capital. 3

(f) What is Corporate Annual Report? 1

2. Answer the following : 5×2=10

(a) Opening Stock : Rs. 5,000; Closing Stock : Rs. 7,000; Purchases Rs. 36,000 and Sales Rs. 70,000. Calculate Inventory Turnover Ratio.

(b) State the features of Balance Sheet.

(c) Mention *four* mandatory disclosures to be made in Corporate Annual Report.

(d) Why are Voluntary Disclosures made in the annual reports of a company?

(e) State whether there is any Inflow or Outflow of Fund from the following transactions. State the amount of such inflow/outflow.

(i) Purchase of a machine valued Rs. 5,00,000; payment is settled as below : Issue of Equity Shares of Rs. 4,00,000 (Face value Rs. 10) and the balance in Cash.

(ii) Redemption of Preference Shares of Rs. 2,00,000.

3. Answer the following : 5×4=20

(a) Describe very briefly the limitations of Financial Statements.

(b) Explain the need and objectives of corporate Financial reporting.

(c) Write a critical note on common-size-statement stating its merits and demerits.

**OR**

Current Ratio : 2.5  
Liquid Ratio : 1.5  
Working Capital : Rs. 60,000  
Bank Overdraft : Rs. 11,000

Calculate : Current Assets, Current Liabilities, Liquid Assets and Quick Liabilities.

(d) Discuss briefly the advantages of Cash Flow statement over Fund Flow Statement.

4. Answer the following questions :

(a) (i) Explain the purposes of accounting information. 2

(ii) Describe briefly the following qualities of accounting information — Reliability, Relevance, Understandability and Comparability. 8

(b) Explain the relevant provisions of Companies Act in regard to the preparation of Balance Sheet. 10

(c) Consider the following information collected from the books of KK Co. Ltd.

	Rs.
Opening Stock :	40,000
Closing Stock :	30,000
Sales :	2,00,000
Purchases :	1,10,000

Rs.  
Opening Debtors : 9,000

Closing Debtors : 7,000

Equity Share Capital : 20,000

10% Preference Share Capital : 20,000

8% Debentures : 30,000

Reserve and Surplus : 15,000

Earnings before Interest and Tax : 50,000

You are required to calculate :

(i) Inventory Turnover Ratio (at cost)

(ii) Debtors' Turnover Ratio

(iii) Debt-Equity Ratio

(iv) Capital Gearing Ratio

(v) Fixed Charge bearing Ratio. 10

(d) You are supplied with the following information by the accountant of B. Bora Co. Ltd related to the accounting year 2012-13. You are required to prepare Cash Flow Statement as per AS-3. 10

<i>Opening Balances :</i>	<b>Rs.</b>
Cash in hand :	1,00,000
Cash at bank :	2,50,000

<i>Summary of transactions :</i>	
Cash received from customers :	4,50,000
Purchase of Fixed Assets	6,00,000
Redemption of 10% Bonds	2,00,000
Proceeds from issue of 10% Preference Shares	5,00,000
Cash paid to suppliers :	3,00,000
Office and Employee Expenses met	7,00,000

	<b>Rs.</b>
Proceeds from Cash Sales	6,50,000
Interest Paid	20,000
Dividend Paid	10,000
Donation Paid	5,000
Income Tax Paid	3,000