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4 (Sem 5) FNSEA

2014

## FINANCIAL STATEMENT ANALYSIS

Paper : 505

(Specialised Paper)

Full Marks : 80

Time : Three hours

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

1. Write the meaning of the following :  $2 \times 5 = 10$ 
  - (a) Equity
  - (b) Liability
  - (c) Report of the Board of Directors
  - (d) Solvency ratio
  - (e) Fund
  
2. Answer the following in brief :  $5 \times 6 = 30$ 
  - (a) Write the constituents of Financial Statement.
  - (b) State the basic features of Income Statement.

Contd.

- (c) Mention the contents of Annual Report.
- (d) How is the common size statement different from comparative statement ?
- (e) Write the significance of Accounting Ratios.

**Or**

From the following information of a company calculate 1+1+3

- (i) Current Assets  
 (ii) Current liability  
 (iii) Inventory

Current Ratio = 2.8  
 Liquid Ratio = 1.5  
 Working Capital = Rs. 90,000

- (f) How is Cash flow statement different from Fundflow statement ?

3. Explain the qualitative requirement of the information incorporated in Financial Statement and state the limitations of Financial Statement. 5+5=10

**Or**

Explain the relevant provisions of Companies Act for preparation of Profit and Loss Accounts and Balance Sheets. 10

4. Define the term Composite Ratio. From the following data, calculate

- (a) Gross Profit Ratio, (b) Net Profit Ratio,  
 (c) Return on total Assets, (d) Inventory turnover,  
 (e) Working Capital turnover, (f) Net worth to Debt. 3+12=15

Sales	=	Rs. 25,20,000
Cost of Sales	=	Rs. 19,20,000
Net Profit	=	Rs. 3,60,000
Inventory	=	Rs. 8,00,000
Other Current Assets	=	Rs. 7,60,000
Fixed Assets	=	Rs. 14,40,000
Net Worth	=	Rs. 15,00,000
Debt	=	Rs. 9,00,000
Current Liabilities	=	Rs. 6,00,000

**Or**

- Write the significance of Financial Statement Analysis and critically review the techniques of interpreting Financial Statements. 5+10=15

5. Explain the procedure applied in preparation of Fund flow Statement and statement of changes in Working Capital. Mention the limitations of Fund flow Statement. 5+5+5=15

Or

The Statement of Assets and Liabilities of SPD Limited as on 30th June 2013 and 30th June 2014 is given below :

Liabilities	As on 30th June		Assets	As on 30th June	
	2013	2014		2013	2014
Equity Share					
Capital	1,50,000	1,50,000	Fixed Assets	2,50,000	3,50,000
Loan	30,000	60,000	Current Assets	1,45,000	1,30,000
Sundry Creditors	1,00,000	1,50,000	Underwriting commission	10,000	7,000
Bank Overdraft (Long term)	90,000	1,30,000	Profit and Loss Accounts	40,000	68,000
Provision for Depreciation	75,000	65,000			
Total	4,45,000	5,55,000	Total	4,45,000	5,55,000

During the year an old asset costing Rs. 10,000 (depreciation provided for Rs. 6,000) was disposed for Rs. 3000. In the previous year depreciation had been provided for in excess of needs and hence the provision for depreciation was brought down to its proper figures on 30th June 2014.

Prepare statement of change in Working Capital and Fund flow Statement.

5+10=15