

Total No. of printed pages = 8

4 (Sem-5) FSA

2017

**FINANCIAL STATEMENT ANALYSIS**

Paper : 5·5

**(Accountancy Major)**

Full Marks – 80

Time – Three hours

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

1. Answer the following questions as directed :

1×5=5

- (a) A cash flow arises when the net result of a transaction is either increase or decrease in cash or cash equivalents. (State whether the statement is 'true' or 'false' ).
- (b) Mention one element of Financial Statement.
- (c) Liquid ratio is also known as \_\_\_\_\_. (Fill in the blank with appropriate word / words).

[Turn over

(d) Which of the following transactions affects the flow of fund ?

- (i) Conversion of debentures into shares
- (ii) Final dividend proposed
- (iii) Raising of long-term loan.

(e) Financial Statements are :

- (i) interim reports
- (ii) final reports
- (iii) Both of them.

(Select the correct answer).

2. Write the meaning of the following :  $2 \times 5 = 10$

- (a) Quick ratio
- (b) Cash equivalent
- (c) Equity
- (d) Trend analysis
- (e) Liquidity position.

3. Answer the following questions :  $5 \times 5 = 25$

- (a) Mention the characteristics of ideal financial statements.
- (b) Prepare a Statement of changes in working capital from the Balance Sheets of a company given below :

Equity and Liabilities	31.3.2016 (Rs.)	31.3.2017 (Rs.)
<i>Shareholders' Fund :</i>		
Share capital	5,00,000	5,00,000
<i>Reserve and Surplus :</i>		
Statement of profit and loss	1,70,000	1,80,000
<i>Non-current Liabilities :</i>		
Bank loan	1,00,000	50,000
<i>Current Liabilities and Provisions :</i>		
Sundry creditors	1,20,000	1,35,000
Provision for taxation	40,000	55,000
Proposed dividend	40,000	30,000
Interest payable	20,000	30,000
<b>Total =</b>	<b>9,90,000</b>	<b>9,80,000</b>

Assets	31.3.2016 (Rs.)	31.3.2017 (Rs.)
<i>Non-current Assets :</i>		
Land and building	7,40,000	7,36,000
<i>Current Assets :</i>		
Debtors	1,00,000	1,04,000
Stock in trade	1,00,000	1,00,000
Cash	50,000	40,000
Total =	9,90,000	9,80,000

- (c) Mention in brief the contents of Board of Directors' Report.
- (d) Write a critical note on common-size statement stating its merits and demerits.

Or

From the following, calculate (a) Gross profit ratio, (b) Operating ratio and (c) Operating profit ratio :  $1+2+2=5$

	Rs.
Sales	10,00,000
Cost of goods sold	8,00,000
Selling expenses	60,000
Administrative expenses	40,000
Loss on sale of machinery	2,000
Interest received on investment	5,000

5/4(Sem-5) FSA

(4)

(e) Explain in brief the distinctions between Fund Flow Statement and Cash Flow Statement.

4. Discuss the objectives and limitations of financial statements.  $5+5=10$

Or

What are the constituents of financial statements? Briefly explain each of them.  $3+7=10$

5. Explain the relevant provisions of Companies Act as regards preparation of financial statements.  $10$

Or

What is Corporate Annual Report? Mention the mandatory disclosures to be made in Corporate Annual Report.  $5+5=10$

6. Following are the ratios relating to the activities of XYZ Ltd. :  $2 \times 5 = 10$

Stock velocity	= 6 months
Debtors velocity	= 3 months
Creditors velocity	= 73 days
Gross profit ratio	= 25%.

5/4(Sem-5) FSA

(5)

[Turn over

Gross profit for the year ended 31st March, 2017 amounts to Rs. 4,00,000. Closing inventory of the year is Rs. 10,000 above the opening inventory. Bills Receivable amounts to Rs. 20,000 and Bills Payable amounts to Rs. 10,000. Find out :

- (i) Sales
- (ii) Purchases
- (iii) Sundry debtors
- (iv) Sundry creditors
- (v) Closing stock.

Or

Write a note on the importance of ratio analysis to different categories of users of financial statements. 10

7. What is Fund Flow Statement ? Describe the procedure that you would adopt in preparing a Fund Flow Statement of a company. 2+8=10

Or

Techno Ltd. provides you the following information for the year ending 31st March, 2017 :

- (i) Sales for the year :  
Cash sales Rs. 1,20,000  
Credit sales Rs. 80,000

(ii) Collection from debtors amounted to Rs.60,000.

(iii) Payments to creditors of inventory amounted to Rs. 45,000.

(iv) Total salary for the period amounted to Rs. 6,000, out of which Rs. 1,000 was outstanding.

(v) Office expenses paid in cash Rs. 8,000.

Outstanding office expenses Rs. 2,000.

(vi) Fully paid equity shares of the face value of Rs. 2,00,000 were issued at a premium of 10%.

(vii) A machine was sold for Rs. 15,000. The book value of the machine was Rs. 12,000.

(viii) A vehicle was purchased for cash at a cost of Rs.1,50,000.

(ix) Dividends paid during the year amounts to Rs. 40,000.

(x) Income tax paid Rs. 10,000.

(xi) Cash in hand and at bank as at 31st March, 2016 Rs. 23,000 and as at 31st March, 2017 Rs. 1,80,000.

Prepare a Cash Flow Statement using indirect method.