

**FINANCIAL STATEMENT ANALYSIS**

**[Time: 3.00 Hrs.]**

**[ Marks: 80 ]**

- N.B.**
- 1) Question No.1 is compulsory and carries 20 Marks.**
  - 2) Answer any 3 questions from rest of the four questions each carrying 20 Marks.**
  - 3) Working notes should form part of your answer.**
  - 4) Use of simple calculator is allowed. Figures to the right indicate marks**

**1 (A) Fill in the blanks by choosing an appropriate alternative.**

**(10)**

1. Operating profit is \_\_\_\_\_.
  - (a) Gross profit plus operating income
  - (b) Gross profit less operating expenses plus operating income
  - (c) Gross profit less non operating expenses
  - (d) Gross profit plus operating losses
2. Which report gives a review on the profitability of a business?
  - (a) Statement of changes in equity
  - (b) Cash flow statement
  - (c) Balance sheet
  - (d) Income statement
3. When assets are subtracted from liabilities it will be equal to?
  - (a) Capital
  - (b) Net income
  - (c) Working capital
  - (d) Goodwill
4. Trend analysis is a technique of analysis of \_\_\_\_\_.
  - (a) Growth in performance
  - (b) Change in performance
  - (c) Trend in performance
  - (d) Decrease in performance
5. Which of the following options is not recorded in the Balance sheet?
  - (a) Cash
  - (b) Rent expenses
  - (c) Building

(d) Goodwill

6. The main operation expenses of a business are termed as:

- (a) Operating expenses
- (b) Non-administration expense
- (c) Selling expenses
- (d) Administration expense

7. Inter firm comparison become misleading when two different firm follow \_\_\_\_\_.

- (a) Same policies
- (b) Different policies
- (c) Same accounting system
- (d) Same procedures

8. Fixed Interest bearing funds do not include on e of the following \_\_\_\_\_.

- (a) Dentures
- (b) Long term investment
- (c) Preference capital
- (d) Public Deposit

9. Profit on sale of furniture is shown in vertical income statement under \_\_\_\_\_.

- (a) Operating Income
- (b) Non operating Income
- (c) Operating Expenditure
- (d) Operating profit

10. Cash receipt received from the sales fixed assets are recorded under the head of:

- (a) Other activities
- (b) Investing activities
- (c) Financing activities
- (d) Operating activities

**(B) State whether the following statements are True or False**

**(5)**

1. Ratio Analysis is the only technique of analysis of financial statements.
2. Working Capital Turnover Ratio may be classified as an Activity Ratio.
3. Financial Planning deals with the preparation of financial statements.
4. Du Pont Analysis do not looks into the elements of profits.
5. Financial statements are not an important source of information to its users.

**(C) Match the following:**

**(5)**

- |                           |   |
|---------------------------|---|
| 1. Trend Analysis         | (a) Financing Activity                      |
| 2. Preliminary expenses   | (b) Investing Activities                    |
| 3. Issue of equity shares | (c) Cash Equivalents                        |
| 4. Sale of Building       | (d) Asset side                              |
| 5. Bank                   | (e) Graphic and Diagrammatic representation |

2 (A) Discuss the meaning, nature and limitations of Financial Statement. **(10)**

(B) Calculate the Current ratio and Quick ratio from the following information : **(10)**

Working capital Rs. 9,60,000;

Total debts Rs.20,80,000;

Long-term Liabilities Rs.16,00,000;

Stock Rs. 4,00,000;

Prepaid expenses Rs. 80,000.

3 (A) Explain the tools of analyzing the financial statements **(10)**

(B) From the following particulars of XYZ Ltd. prepare the Cash Flow Statement. **(10)**

Liabilities	31/3/22	31/3/23	Assets	31/3/22	31/3/23
Current Liability	72,000	82,000	Cash	8,000	7,200
Loan from Z ltd	Nil	40,000	Debtors	70,000	76,800
Loan from Bank	60,000	50,000	Stock	50,000	44,000
Share capital	2,00,000	2,00,000	Land	40,000	60,000
Profit and loss A/c	96,000	98,000	Building	1,00,000	1,10,000
			Machinery	2,14,000	2,44,000
			Prov. For Depn	(54,000)	(72,000)
	<b>4,28,000</b>	<b>4,70,000</b>		<b>4,28,000</b>	<b>4,70,000</b>

During the year Rs.52,000 were paid as dividend.

4 (A) Explain the concept of fund & how the funds flow. **(10)**

(B) Write a descriptive note on meaning of Analysis and its objectives. (10)

5 (A) From the following Balance Sheet of Bombay Ltd, prepare a statement of Fund Flow for the year 2023. (10)

Liabilities	31/3/2022	31/3/2023	Assets	31/3/2022	31/3/2023
Equity Share capital	1,00,000	1,50,000	Plant and Machinery	2,00,000	1,80,000
Preference share capital	50,000	30,000	Furniture	90,000	1,30,000
Profit and Loss Account	40,000	65,000	Investment	80,000	85,000
Debenture	80,000	1,20,000	Stock	20,000	30,000
Other Secured Loan	90,000	1,00,000	Debtors	50,000	65,000
Sundry Creditor	65,000	20,000	Bank	5,000	7,000
Bills Payable	5,000	7,000	Cash	1,000	200
Outstanding Expenses	16,000	5,200			
<b>TOTAL</b>	<b>4,46,000</b>	<b>4,97,200</b>		<b>4,46,000</b>	<b>4,97,200</b>

(B) Complete the following Trend Analysis Statement for D Ltd. (10)

Particulars	31/12/13	31/12/14	31/12/15	31/12/13	31/12/14	31/12/15
				%	%	%
Sales	10,000	15,000	20,000	100	?	?
Less: Cost of Goods sold	7,000	?	?	100	125	200
Gross Profit	3,000	?	?	100	?	?
Less: Administrative Expenses	1,000	1,250	1,500	100	125	150
Finance Expenses	500	625	750	100	?	?
Selling Expenses	250	375	500	100	?	?
Net profit before Tax	1,250	4,000	3,250	100	320	260
Less: Income Tax	250	800	1,000	100	?	?
Net profit after Tax	1,000	?	?	100	320	225

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