

FINANCIAL STATEMENT ANALYSIS

[Time: 3.00 Hrs.]

[Total Marks : 80]

N.B. : (1) Q. 1 is compulsory.

(2) Attempt any 3 questions from question no. 2 to 5, each carrying 20 marks.

(3) Figures to the right indicate full marks.

(4) Working notes should form the part of your answer.

(5) Use of simple calculator is allowed.

Q. 1 (a) : Select appropriate answer from the alternatives given and rewrite the statement:

[5]

(i) In _____ the sales figures are taken as 100 and all other figures of costs and expenses are expressed as percentage to sales.

- (a) Common Size Income Statement (b) Comparative Statements
(c) Trend Analysis (d) Ratio Analysis

(ii) _____ statement is prepared to explain the changes in the working capital position of a company.

- (a) Balance Sheet (b) Funds flow
(c) P & L A/c (d) Comparative statement

(iii) _____ ratio shows the extent to which the working capital is blocked in inventories.

- (a) Proprietary Ratio
(b) Capital Gearing Ratio
(c) Stock-Working Capital ratio
(d) Leverage ratio

(iv) The Dupont Model equates ROE to Profit Margin, Asset-Turnover and _____.

- (a) Stock-Working Capital
(b) Cost to Capital
(c) Funds flow
(d) Financial Leverage

(i) The horizontal analysis of _____ statements is done in Trend Analysis.

- (a) Comparative Statement (b) Absolute Money Value
(c) Fund Flow (d) Common Size Statement

Q. 1 (b) : Suggest appropriate word / phrase for the following statements : [5]

- (i) The maximum capital a company can raise as mentioned in its MoA :
- (ii) Excess of Current Assets over Current Liabilities is called as :
- (iii) Activities under Cash Flow statement, which are related to Acquisition and Disposal of Long Term Assets :
- (iv) Based on the 3 performances measures, the Dupont model analyses a company's ability to increase its :
- (v) The Cash flows that are available in the context of operations :

Q. 1 (c) : State whether the following statements are True or False and rewrite them. [5]

- (i) Revenue Account shows the financial position of a business as on a particular date.
- (ii) Purchase of Fixed Assets is the Sources of Funds.
- (iii) A higher Stock-Working Capital ratio indicates week working capital.
- (iv) In the Dupont analysis, the investors look for large or small output numbers from this model.
- (v) During computing projected 'Operating Free Cash Flows', we deduct the estimated net investment from net Working Capital.

Q. 1 (d) : Match the pairs of type of Accounting Ratio in column 'A' with its Relevant example in column 'B': [5]

No.	Column A	No.	Column B
(i)	Balance Sheet	A	Return on Investments
(ii)	Revenue Statement	B	Return on Capital Employed
(iii)	Combined	C	Gross Profit Ratio
(iv)	Leverage	D	Capital Gearing Ratio
(v)	Profitability	E	Current Ratio

Q. 2 (a) : Elucidate the Objectives of Financial Statements. [10]

(b) : Prepare Common Size Income Statement of Cherico Ltd. from the following Profit and Loss account and interpret it :

[10]

Particulars	2004	2005	Particulars	2004	2005
	Amt. (₹)	Amt. (₹)		Amt. (₹)	Amt. (₹)
To Cost of Goods Sold	12,000	15,000	By Net Sales	16,000	20,000
To Admin. Expenses	400	400			
To Selling Expenses	600	800			
To Net Profit	3,000	3,800			
	16,000	20,000		16,000	20,000

Q. 3 (a) Elucidate the importance of Fund Flow Analysis.

[10]

(b) Prepare Cash-Flow Statement for 'Jayhind Electricals Ltd.' for the year ended on 31-03-2016 from its following summary Cash a/c.:

[10]

Cash book of 'Jayhind Electricals Ltd.' for the year ended on 31-03-2016

Dr.		Cr.	
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance on 01-04-2015	50,000	By Payment to Suppliers	20,00,000
To Issue of Equity Shares	3,00,000	By Purchase of Fixed Assets	2,00,000
To Receipts from Customers	28,00,000	By Overhead expenses	2,00,000
To Sale of Fixed Assets	1,00,000	By Wages & Salaries	1,00,000

		By Income Tax paid	2,50,000
		By Dividend paid	50,000
		By Repayment of Bank Loan	3,00,000
		By Balance on 31-03-2016	1,50,000
	<u>32,50,000</u>		<u>32,50,000</u>

- Q. 4 (a) Explain at least 3 'Balance-Sheet Ratios' with their formulae and components. [10]
- (b) From the following Balance Sheet of Manav Ltd. calculate :
 (i) Current Ratio, (ii) Debt-Equity Ratio,
 (iii) Ratio of Total Assets to Debt and (iv) Proprietary Ratio. [10]

Balance Sheet of Manav Ltd. as on 31st December 2020.

Liabilities	Amount (₹)	Assets	Amount (₹)
Preference share Capital	7,00,000	Plant & M/c	9,00,000
Equity Share Capital	8,00,000	Land & Bldg.	4,20,000
Reserves	1,50,000	Vehicle	4,00,000
Debentures	3,50,000	Furniture	2,00,000
Current Liability	2,00,000	Stock	90,000
		Debtors	80,000
		Cash at Bank	1,00,000
		Disc. on issue	10,000
	<u>22,00,000</u>		<u>22,00,000</u>

- Q. 5 (a) Describe Hierarchy of Free Cash Flows. [10]
- (b) From the data given below of Daffodil Pvt. Ltd., calculate the trend percentage considering 2003 as the base year : [10]

Particulars	Amount (Rs. in Lakhs)		
Year	2003	2004	2005

Cash	200	240	160
Debtors	400	500	650
Stock	600	800	700
Other Current Assets	450	600	750
Land	800	1,000	1,000
Building	1,600	2,000	2,400
Plant	2,000	2,000	2,400

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