

Sree Chaitanya Mahavidyalaya
M.Com. (Semester-3) Examination-2022
Financial Statement Analysis
Paper-COMP DSE02T

Full Marks-40

Time-2 Hours

Group-A

1. Answer any five questions

5x2=10

- (a) What do you mean by type-I and type-II errors in financial distress analysis?
- (b) Identify two ratios for measuring profitability of a firm.
- (c) Mention two problems that we generally encounter while analysing financial statement.
- (d) Cash Sales Rs.-5,00,000; Credit Sales Rs.- 6,00,000; Sales Return Rs.-1,00,000; Current Assets Rs - 3,00,000; Current Liabilities Rs-1,00,000. Calculate Working Turnover Ratio.
- (e) What do you mean by Interest Coverage Ratio?
- (f) Mention two indicators of financial distress.
- (g) Mention two points of difference between univariate model and multivariate model.
- (h) What are the two limitations of ratio analysis?

Group-B

Answer any two questions

2x5 =10

2. From the following data, calculate proprietor's fund from both aspect of assets and liabilities as on 31.03.2021

- a) Fixed Asset to Net worth : 0.75:1
- b) Current ratio : 5:2
- c) Acid test ratio : 3:2
- d) Reserves included is proprietor's fund : 1/4rth
- e) Current Liabilities Rs.200000
- f) Cash & Bank Balance Rs.10000
- g) Fixed assets Rs.600000

3. Identify the following transaction as belonging to:

i) Operating activities; ii) Financing activities and iii) Investing activities

a)	Cash sale of goods
b)	Patents purchased
c)	Purchase of shares
d)	Income tax paid
e)	Sale of fixed assets

f)	Buy Back of equity share
g)	Cash paid to creditors
h)	Dividend paid
i)	Interest on investment
j)	Interest paid on borrowings.

4. Give a brief note on the ‘Objectives of financial statement Analysis’

5. From the following “Trend percentage” calculate the value of different assets for the year 2018 and 2019

Trend percentage

<u>2018</u>	<u>2019</u>	<u>2020</u>	Corresponding value of
(%)	(%)	(%)	Fixed assets in 2020
90	80	70	Goodwill Rs.14000
125	160	180	Land & Building Rs. 540000
110	125	160	Plant Rs. 480000
120	200	230	Machinery Rs. 460000
105	115	120	Furniture Rs60000

Group-C

Answer any two questions

2x10=20

6. From the following information available of X Ltd. On 31.03.2006

Balance Sheet as at 31.03.2006

Liabilities	Rs.	Assets	Rs.
Equity Share Capital @Rs.100 each	1000000	Land & Buildings	3500000
Reserve & Surplus	500000	Other Fixed Assets	2000000
10% Debenture	3000000	Closing Stock	600000
12% Long-term Loan	1000000	Sunday Debtors	400000
Creditor	500000		
Bank over draft	500000		
	6500000		6500000

Additional information:

- A) Income tax rate is 35%
- B) Net sales X Ltd during 2005-06 is Rs.7800000
- C) EPS as on 31.03.2006 is Rs.0.975
- D) Price-Earnings ratio is 9

Using Altman’s Multivariate Model, calculate Z score and offer your comment.

7. Balance Sheet of R Ltd. as on 31.03.2014 & 31.03.2015

(Rs. in thousand)

Particulars	Note No.	31.03.15	31.03.14
EQUITY AND LIABILITIES:			
1.Shareholder's Fund:			
a)Share Capital	1	1000	800
b)Reserve & Surplus		300	210
2. Non-Current Liabilities:			
a) Long-Term Borrowings(Debenture)		200	-
3. Current Liabilities:			
a) Trade payables (Sundry Creditors)	2	700	820
b) Short-term Provisions		300	170
		2500	2000
ASSETS:			
1. Non-Current Assets:			
a) Fixed Assets-Tangible Assets	3	1300	900
b) Non-Current Investments(Investments)		100	-
2. Current Assets:			
a)Investments (Stock)		400	200
b)Trade Receivables(Debtors)		500	700
c) Cash & Cash Equivalents(Cash and Bank)		200	200
		2500	2000

Total

Notes of Accounts:(Rs. in thousand)

Particulars	31.03.15	31.03.14
1. Reserves & Surplus:		
a.Reserve	200	150
b.Balance in Statement of Profit& Loss	100	60
	300	210
2. Short-term Provision:		
a.Tax provision	100	70
b.Proposed Dividend	200	100
	300	170
3. Fixed Assets-Tangible Assets		
a.Machinery	700	500
b.Building	600	400
	1300	900

Additional Details:

1. Building still under construction & no depreciation was charged.
2. Depreciation was charge @25% on the opening value of machinery.
3. An old machine costing Rs.50000 was sold for Rs.35000 (W.D.V Rs.20000)
4. Income Tax paid during the year Rs.50000

Prepare a CashFlow Statement as per AS-3 and interpret it.

8. Revenue & expenses data for the current calendar year for western-Jute Mills limited and for the jute industry are as follows. The data of western jute mills limited are expressed in rupees and the data of jute industry average are expressed in percentage.

Particulars	Note No	Amount
1. Income:		
Revenue from operations	1	7000000
Other income		35000
Total		7035000
2. Expenses:		
Cost of materials consumed	2	4800000
Charges in inventory of finished good & work –in –progress	3	240000
Employee Benefits expenses	4	574000
Other expenses	5	924000
Total expenses		6538000
3. Profit(1-2)		497000

Note to Account

Particulars	
1. Revenue from operation:	
Gross Sales	7070000
Less-Sales Returns	70000
	7000000
2. Cost of Materials Consumed:	
Opening Inventory of Raw materials	200000
Add:Purchase	4900000
	5100000
Less- Closing Inventory of Raw materials	300000
	4800000
3. Changes in Inventories of finished Good and Work-in-progress:	
A) Works-in-progress	
Opening Inventory	450000
Less-Closing Inventory	400000
	50000
B) Finished Good:	
Opening Inventory	400000
Less-Closing Inventory	210000
	190000
Total (A+B)	240000
4. Employee Benefits Expense:	
Salaries and wages	574000

5. Other Expenses	
a) General Expenses	434000
b) Miscellaneous Expenses	84000
c) Provision for Income Tax	406000
	924000

Revenue and Expenses Data for jute Industry is as follows

Cost of Materials Consumed	67.0%
Changes in Inventories of Finished goods and Work-in-progress	3.0%
Employee Benefits Expense	9.2%
Other Income	0.6%
Other expenses	9.4%
Income Tax	5.5%

Prepare a common –size income statement comparing the results of operating of western jute mills limited with the industry average.

9. The Following are the summarized accounts of A Ltd.& B Ltd. for the two years 2010 & 2011

	A Ltd.		B Ltd.	
	2010 In lac)	2011 (In lac)	2010 (In lac)	2011 (In lac)
Turnover	54.12	45.75	17.52	14.47
Manufacturing and Other Expenses	51.04	43.56	14.96	11.82
Depreciation	0.56	0.51	0.60	0.35
Profit before tax	2.52	1.68	1.96	2.30
	54.12	45.75	17.52	14.47

Intangible Assets	1.65	1.69	-	-
Fixed assets	8.36	9.41	3.51	2.75
Stock	11.24	12.19	1.77	2.26
Debtors	7.28	8.24	5.82	4.02
Bank	0.93	0.33	4.64	2.46
	29.46	31.86	15.74	11.49

Creditors	9.47	9.26	2.33	1.75
Taxation	0.56	0.68	0.87	0.58
Short term Borrowings	4.24	8.00	4.64	2.16
Long Term Borrowings	2.54	2.10	0.10	-
Capital and Reserves	12.65	11.82	7.80	7.00
	29.46	31.86	15.74	11.49

You are required to calculate five ratios which in your opinion are relevant in determining the stability of the two companies.

Send your answer scripts to this e-mail

pmnndc@gmail.com