

**WEST BENGAL STATE UNIVERSITY**

B.Com. Honours 6th Semester Examination, 2021

FACADSE07T-B.COM. (DSE3/4)**FINANCIAL STATEMENT ANALYSIS**

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate marks of question.**Candidates should answer in their own words and adhere to the word limit as practicable.***GROUP-A****Answer any two questions from the following**

10×2 = 20

1. From the following information prepare a summarized Balance Sheet of X Company as on 31.03.2021 assuming that the capital is composed of Equity Shares of Rs. 10 each.

10

(i) Liquid ratio	1.5
(ii) Current Ratio	2.5
(iii) Fixed Assets to Proprietorship Fund Ratio	0.75
(iv) Working Capital	Rs. 1,20,000
(v) Reserves and Surplus	Rs. 60,000
(vi) Bank Overdraft	Rs.20,000

2. **Balance sheet as on 31.03.2021**

8+2

Particulars	Note No.	31.03.2021 (Rs.)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital— Equity Share Capital @ Rs. 10 each		1,00,000
(b) Reserve & Surplus		50,000
2. Non-Current Liabilities		
(a) Long-term Borrowings:		
(i) 10% Debenture		3,00,000
(ii) 12% Loan		1,00,000
3. Current Liabilities		
(a) Short-term Borrowings— Bank Overdraft		50,000
(b) Trade Payables— Creditors		50,000
Total		6,50,000
II. ASSETS		
1. Non-Current Assets		
(a) Fixed Assets		
(i) Tangible Assets	1.	5,30,000
2. Current Assets		
(a) Inventories— Stock		60,000
(b) Trade Receivables— Debtors		40,000
(c) Cash and Cash Equivalent— Bank		20,000
Total		6,50,000

Note to accounts:

1. Fixed Assets— Tangible Assets	31.03.2021 (Rs.)
(a) Building	3,50,000
(b) Machinery	1,80,000
	5,30,000

Additional information:

- (i) Income Tax Rate is 35%.
- (ii) Net sales during 2020-21 are Rs. 7, 80,000.
- (iii) EPS as on 31.03.2021 is 0.975
- (iv) Price Earnings Ratio is 9.

Using Altman's functions calculate Z score and analyze the result.

3. What do you mean by Financial Statement Analysis? Briefly explain the importance of Financial Statement Analysis. 2+8
4. Distinguish between Comparative Statement and Common-size Statement. 10
5. From the following information, prepare a Common-size Statement. 10
 - (i) Selling and Distribution Expenses Rs. 10,000
 - (ii) Administrative Expenses Rs. 20,000
 - (iii) Cost of Sales 75% of Net Sales
 - (iv) Income Tax 20% of Net Profit before Tax
 - (v) Net Income after Tax Rs. 48,000
 - (vi) Other Income Rs. 10,000
6. Briefly explain the Dividend Discount Model. 10

GROUP-B

Answer any two questions from the following

15×2 = 30

7. What do you mean by Ratio Analysis? Explain the importance and limitations of Ratio Analysis. 2+7+6
8. From the following information prepare (a) A Statement of Changes in Working Capital, and (b) Fund Flow Statement for the year ended 31.03.2021. 15

Balance Sheets as on 31.03.2020 and 31.03.2021

Particulars	Note No.	31.03.2020 (₹)	31.03.2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital— Equity Share Capital		10,00,000	11,00,000
(b) Reserve & Surplus	1.	2,80,000	3,70,000
2. Non-Current Liabilities			
Long-term Borrowings— Debenture		5,00,000	3,00,000
3. Current Liabilities			
(a) Trade Payables	2.	70,000	70,000
(b) Short-term Provisions— Provisions for Income Tax		40,000	1,10,000
Total		18,90,000	19,50,000

II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	3.	10,20,000	14,60,000
(ii) Intangible Assets— Goodwill		50,000	40,000
(b) Current Assets			
(i) Inventories— Stock		2,50,000	2,10,000
(ii) Trade Receivables— Debtors	4.	2,70,000	2,16,000
(iii) Cash and Cash Equivalent— Cash		3,00,000	24,000
Total		18,90,000	19,50,000

Notes to Accounts:

Details	31.03.2020 (Rs.)	31.03.2021 (Rs.)
1. Reserves and Surplus		
(a) General Reserve	2,00,000	2,00,000
(b) Balance in Statement of Profit and Loss	80,000	1,70,000
	2,80,000	3,70,000
2. Trade Payables		
(a) Creditors	50,000	40,000
(b) Bills Payable	20,000	30,000
	70,000	70,000
3. Fixed Assets— Tangible Assets		
(a) Land	4,20,000	6,60,000
(b) Machinery	6,00,000	8,00,000
	10,20,000	14,60,000
4. Trade Receivables		
(a) Debtors	3,00,000	2,40,000
Less: Provision for Bad Debt	30,000	24,000
	2,70,000	2,16,000

Additional Information:

- (i) During the year, a part of machine costing Rs. 7,500 (accumulated depreciation Rs. 2,500) was sold for Rs. 3,000.
- (ii) Income tax paid during the year Rs. 20,000.
- (iii) Depreciation provided on machinery during the year was Rs. 50,000.

9. What is meant by Corporate Distress? Briefly explain the symptoms of Corporate Financial Distress.

2+13

10. Write Short Notes: (any *three*) 5×3
- Advantages of Common-Size Income Statements
 - Free cash flow to equity
 - Decision-tree analysis
 - Major sources of financial information.
- 11.(a) What are the merits of Trend analysis? 5
- (b) Calculate the trend percentages from the following figures of Arun Ltd. and interpret the results. 10

Year	Sales Revenue (Rs.)	Inventory (Rs.)	Earnings Before Tax (Rs.)
2016-17	5,600	1,200	400
2017-18	6,400	1,400	520
2018-19	7,000	1,500	410
2019-20	7,900	1,150	690
2020-21	8,200	1,000	540

12. From the following information, prepare a Cash Flow Statement for the year ended 31.03.2021. 15

Balance Sheets as on 31.03.2020 and 31.03.2021

Particulars	Note No.	31.03.2020 (₹)	31.03.2021 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1.	15,00,000	15,00,000
(b) Reserve and Surplus	2.	13,00,000	15,00,000
2. Current Liabilities			
(a) Trade Payable— Creditors		7,00,000	2,00,000
(b) Short-term Provisions— Provision for Taxation		3,00,000	4,00,000
Total		38,00,000	36,00,000
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets— Plant at WDV		15,00,000	18,00,000
2. Current Assets			
(i) Inventories— Stock		6,00,000	3,00,000
(ii) Trade Receivables— Debtors		15,00,000	9,00,000
(iii) Cash and Cash Equivalents— Cash		2,00,000	6,00,000
Total		38,00,000	36,00,000

Notes to Accounts:

Details	31.03.2020 (Rs.)	31.03.2021 (Rs.)
1. Share Capital		
(a) Equity Share Capital of Rs. 100 each	10,00,000	15,00,000
(b) Redeemable Preference Shares of Rs. 100 each; Rs. 50 paid	5,00,000	Nil
	15,00,000	15,00,000
2. Reserves and Surplus		
(a) General Reserve	10,00,000	7,00,000
(b) Balance in Statement of Profit and Loss	2,75,000	3,00,000
(c) Share Premium	25,000	Nil
(d) Capital Redemption Reserve	Nil	5,00,000
	13,00,000	15,00,000

Additional Information:

- (i) During the year the Company paid Rs. 2, 00,000 as equity dividend and Rs. 56,250 as preference dividend.
- (ii) The Company redeemed the preference shares at a premium of 5 % after making a call of Rs. 50 per share to make the shares fully paid.
- (iii) One plant whose book value was Rs. 1, 00,000 was sold at a loss of Rs. 25,000 and the company purchased plant for Rs. 6, 00,000.
- (iv) Rs. 3, 50,000 was provided by the company during the year for taxation.

N.B. : Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.

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