

**WEST BENGAL STATE UNIVERSITY**

B.Com. Honours 6th Semester Examination, 2022

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

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.  
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. (a) What are the objectives of financial statement analysis? 5+5  
(b) Distinguish between Financial Statement and Financial statement Analysis.
2. Following is the Balance Sheet of G.D Engineering Ltd. as on 31.03.2022: 10

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	6,00,000	Land & Building	7,00,000
Preference Share Capital	8,00,000	Plant & Machinery	6,00,000
Reserve	1,20,000	Furniture	80,000
Profit & Loss Account	80,000	Debtors	4,00,000
12% Debentures	4,00,000	Stock	3,00,000
Trade Creditors	1,20,000	Cash	80,000
Outstanding Exp.	30,000	Prepaid Exp.	70,000
Bank Overdraft	40,000	Preliminary	20,000
Proposed Dividend	60,000		
	<b>22,50,000</b>		<b>22,50,000</b>

Calculate:

(i) Current Ratio (ii) Liquidity Ratio (iii) Debt-Equity Ratio.

3. From the following information make a trend analysis and comment: 10

Year	2015	2016	2017	2018	2019	2020	2021
Sales (Rs. in lakh)	10	12	15	14	18	10	16
Operating Expenses	6	7	6	6.5	7	8	7.5
Long term borrowing	6	6	6	6.5	7	7	7.5
Inventory	1	1.5	1.2	1.3	1.6	1.9	1
EBIT	2	3	6	5	8	1	3

4. (a) What is Financial Distress? 3+7  
(b) What are the symptoms of financial distress?

5. (a) What are the limitations of Cash Flow Statement? 5+5  
 (b) Distinguish between a Cash Book and a Cash Flow Statement.
6. (a) State the need of preparation of Fund Flow Statement. 5+5  
 (b) From the following Profit & Loss A/c ascertain the amount of Fund from operation:

Dr.		Cr.	
	Rs.'000		Rs.'000
To Salaries	50	By Gross Profit b/d	10
To Rent	20	By Rent Received	50
To Depreciation	10	By Interest on Investment	40
To Preliminary Exp.	20	By Net Loss	50
To Loss on Sale of Plant	50		
	<b>150</b>		<b>150</b>

**GROUP-B****Answer any two questions from the following**

15×2 = 30

7. (a) Distinguish between Cash Flow and Fund Flow. 5+10  
 (b) What are the advantages of ratio analysis?

8. Explain the different dividend discount models. 15

9. From the following information prepare a Trading and Profit and Loss Accounts of Mr. X: 15

Fixed Assets / Capital	5/4
Fixed Assets	Rs. 5,50,000
Capital / Liabilities	1/2
Net Profit/ Capital	1/4
Gross Profit Ratio	25%
Stock Turnover Ratio	9
Fixed Assets / Total Current Assets	1/2
Net Profit to Sales	18%
Closing Stock	Rs. 50,000

Out of other current assets value of debtors and cash are distributed in the ratio of 4:1.

10. From the following details, prepare a statement of changes in working capital and a statement of sources and applications of funds for the year ended 31.12.2020: 15

**(Rupees in thousands)**

Liabilities	31.12.20	31.12.19	Assets	31.12.20	31.12.19
Equity Share Capital	400	250	Plant & Machinery	400	380
Preference Share Capital	-	150	Other Fixed Assets	20	20
Revaluation Reserve	70	100	Stock-in-trade	320	200
General Reserve	60	50	Book-debts	355	290
Profit & Loss A/c	10	-	Discount on debenture	5	-
15% Debentures	100	-	Profit & Loss Account	-	30
Bank Overdraft	50	40			
Provision for Taxation	60	10			
Creditors	350	320			
	<b>1100</b>	<b>920</b>		<b>1100</b>	<b>920</b>

- (a) During 2020, preference shareholders were given an option to convert their shares into equity shares or to redeem them at a premium of 5%. Holders of Rs. 50,000 preference shares opted for conversion and the other shares were redeemed. The premium was charged to Profit & Loss Account.
- (b) Depreciation charged during the year 2020 had been:
- Rs. 70,000 on plant and machinery, out of which Rs. 30,000 was charged against revaluation reserve, and
  - Rs. 5,000 on other fixed assets.
- (c) The balance in the provision for taxation account is after charging Rs. 20,000 paid as advance income-tax.
- (d) Debentures were issued at a discount one-half of which has been written off against profits.

11. From the following summarized balance sheets of Moonlight Ltd. and other relevant information, prepare a Cash Flow Statement for the year ended 31.3.2022:

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(Rupees in lakhs)					
Liabilities	31.3.21	31.3.22	Assets	31.3.21	31.3.22
Share Capital	50	70	Land and Building	50	65.00
Securities Premium	4.5	5.5	Plant & Machinery	20.5	21.55
General Reserve	10	4.5	Stock	9.8	9.50
Capital Reserve	-	1.5	Debtors	10.2	11.82
Profit & Loss A/c	7	6.75	Cash	6.25	6.87
8% Debentures	10	8.5	Prepaid Expenses	1.57	0.89
Provisions for taxation	3.5	4.5			
Proposed Dividend	5	7			
Creditors	7.3	6.11			
Outstanding Expenses	1.02	1.27			
	<b>98.32</b>	<b>115.63</b>		<b>98.32</b>	<b>115.63</b>

**Additional information:**

- A plant costing Rs. 5,00,000 (WDV Rs. 3,52,000) has been sold during 2021-22 for Rs. 4,00,000. Profit on sale has been transferred to Capital Reserve Account.
- A piece of land has been sold for Rs. 7,00,000 during the year 2021-22. The profit on sale of such land has also been transferred to capital reserve account.
- Balance of Capital Reserve on 31.3.2022 consists of profit on sale of plant and land only.
- During the year 2021-22 bonus shares of Rs. 10,00,000 has been issued out of general reserve.
- Debentures were redeemed at a premium of 10%. Premium on redemption has been transferred to Profit & Loss Account.
- Amount appropriated during 2021-22: for proposed dividend- Rs. 7,00,000 and for taxation- Rs. 4,00,000.

- (vii) Depreciation provided during 2021-22: on Plant & Machinery- Rs. 3,28,000 and on Building- Rs. 2,25,000.

12.(a) Using Altman's Model compute the value of "Z" from the data given below:

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Liabilities	Rs.	Assets	Rs.
Share Capital (Rs. 10 each)	2,00,000	Fixed Assets	4,20,000
Reserve & Surplus	60,000	Inventory	1,80,000
10% Debentures	3,00,000	Book Debts	70,000
Sundry Creditors	80,000	Loans & Advances	20,000
Outstanding Expenses	60,000	Cash at Bank	10,000
	<b>7,00,000</b>		<b>7,00,000</b>

**Additional Information:**

- (i) Market value per share Rs. 12.50  
(ii) Operating Profit (20% on sale) Rs. 1,40,000.
- (b) Compare between Beaver's model and Altman's model on corporate failure prediction.

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**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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