

Total No. of printed pages = 7

4 (Sem-5) FNSA

2016

FINANCIAL STATEMENT ANALYSIS

(Major Paper)

Paper : 5.5

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks
for the questions.

1. Answer the following as directed : 1×5=5

(a) Balance Sheet shows :

- (i) performance of the business.
- (ii) financial position of an enterprise.
- (iii) both of them.

(Select the correct answer)

(b) Financial Statements may be :

- (i) general purpose statements.
- (ii) special purpose statements.
- (iii) any one of them.

(Select the correct answer)

[Turn over

- (c) Financial Statements are the end products of accounting process.
(State whether the statement is 'True' or 'False'.)
- (d) A ratio is an arithmetical relationship of one number to _____. (Fill up the gap with appropriate word/words.)
- (e) Which of the following items results into an application of fund ?
- payment of dividend
 - issue of share capital
 - sale of plant.
2. Write the meaning of the following : $2 \times 5 = 10$
- Contingent assets
 - Current ratio
 - Financial statement
 - 'Proper books of account' as per Companies Act, 1956.
 - Cash flow statement.
3. Answer the following questions : $5 \times 5 = 25$
- Briefly explain the features of Position Statement.

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(b) Following are the extracts of Balance Sheet of North East Traders Company Ltd.:

| | As on 1.4.2015 | As on 31.3.2016 |
|------------------------|-------------------|-------------------|
| Land and buildings | (Rs.) 1,50,000 | (Rs.) 1,60,000 |
| Plant and machinery | 2,00,000 | 3,00,000 |
| Furniture and fittings | 20,000 | 10,000 |
| Investments | 50,000 | 80,000 |
| Computers | 30,000 | 40,000 |

Additional information :

- During the year, plant and machinery having book value of Rs. 50,000 was sold for Rs. 40,000.
- Depreciation charged during the year on plant and machinery Rs. 25,000.
- Furniture sold during the year at a loss of Rs. 3,000 and depreciation provided thereon was Rs. 2,000.
- Investments were sold during the year for Rs. 12,000 at a profit of Rs. 2,000. Interest on investment received during the year was Rs. 5,000.

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You are required to ascertain cash flow from investing activities for the year ended on 31st March, 2016.

(c) What statutory books are to be maintained by a company under the different sections of the Companies Act ?

(d) Explain the advantages of Ratio Analysis.

(e) Write a brief note on the evaluation of 'Statement of changes in financial position'.

4. What are the elements of financial statements ? Briefly explain each of them. 3+7=10

Or

Write a note on the information incorporated in financial statements and explain their qualitative requirements. 4+6=10

5. Explain the contents of the Corporate Annual Report as per the relevant provisions of the Companies Act. 10

Or

Explain the various constituents of financial statements as per Companies Act. 10

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(4)

6. What do you mean by Liquidity Ratios ? Explain the precautions that should be taken by the users of Accounting Ratios. 3+7=10

Or

From the following information of Assam Techno Company Ltd., prepare a proforma Balance Sheet of the company : 10

Annual sales Rs. 2,00,000

Sales to net worth = 2.5 times

Current debt to net worth = 25%

Total debt to net worth = 60%

Current ratio = 3.6 times

Sales to inventory = 4 times

Fixed assets to net worth = 70%

Average collection period = 36 days
(Taken 360 days in a year).

7. Explain the limitations of Fund Flow Statement. What are the distinctions between Fund Flow Statement and Cash Flow Statement ? 5+5=10

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(5)

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Or

From the following Balance Sheets of Assam Tea Ltd. as on 31st March, 2015 and 31st March, 2016, prepare a Fund Flow Statement : 10

| Equity and Liabilities | 31.3.2015 (Rs.) | 31.3.2016 (Rs.) |
|---|--------------------|--------------------|
| <u>Shareholders' fund :</u> | | |
| Share capital | 4,00,000 | 6,00,000 |
| <u>Reserves and Surplus :</u> | | |
| Statement of profit and loss | 2,50,000 | 3,50,000 |
| <u>Non-current Liabilities :</u> | | |
| Bank loan | 1,60,000 | 80,000 |
| <u>Current Liabilities and Provisions :</u> | | |
| Sundry creditors | 1,20,000 | 1,35,000 |
| Depreciation fund | 80,000 | 1,20,000 |
| Provision for taxation | 40,000 | 55,000 |
| Proposed dividend | 40,000 | 60,000 |
| Total = | 10,90,000 | 14,00,000 |

| Assets | 31.3.2015 (Rs.) | 31.3.2016 (Rs.) |
|-------------------------------|--------------------|--------------------|
| <u>Non-current Assets :</u> | | |
| Land and building (at cost) | 3,00,000 | 4,00,000 |
| Plant and machinery (at cost) | 4,60,000 | 6,30,000 |
| Long-term investment | 1,80,000 | 2,00,000 |
| <u>Current Assets :</u> | | |
| Debtors | 1,00,000 | 1,55,000 |
| Cash | 50,000 | 15,000 |
| Total = | 10,90,000 | 14,00,000 |

Additional information :

- A machine which was purchased earlier for Rs. 60,000 was sold for Rs. 4,000. The book value of the machine was Rs. 6,000. The company also purchased new equipments during the year.
- The company has issued new shares to the extent of Rs. 2,00,000 for cash.