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4 (Sem 5) FNSA

2015

**FINANCIAL STATEMENT ANALYSIS**

**(Major)**

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) Financial Statements are

(i) estimates of facts

(ii) anticipated facts

(iii) recorded facts

(Select the correct answer)

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- (b) Retained Earning Statement depicts :
- (i) appropriation of profits
  - (ii) estimates of profits
  - (iii) estimates of costs
- (Select the correct answer)
- (c) Vertical analysis refers to the comparison of financial data of a company for several years. (State whether the statement is true or false)
- (d) Liquid ratio is also known as \_\_\_\_\_ ratio. (Fill up the gap)
- (e) Which of the following is non-current asset ?
- (i) Bill Receivable
  - (ii) Goodwill
  - (iii) Cash Balance
2. Write the meaning of the following :  $2 \times 5 = 10$
- (a) Assets
  - (b) Horizontal analysis of Financial Statement
  - (c) Leverage ratio
  - (d) Trend analysis
  - (e) Statement of changes in working capital

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3. Answer the following in brief :  $5 \times 5 = 25$
- (a) Write the limitations of Financial Statements.
  - (b) Mention in brief the contents of Board of Director Report.
  - (c) State the managerial use of ratio analysis.
  - (d) What is Gross Profit Ratio ?
- From the following information, calculate Gross Profit Ratio.
- |                    |   |              |
|--------------------|---|--------------|
| Total sales        | = | Rs. 5,20,000 |
| Sales return       | = | Rs. 20,000   |
| Cost of goods sold | = | Rs. 4,00,000 |
- (e) Write the limitations of Fund Flow Statement.
4. Why is Financial Statement significant ? Write the characteristics of Financial Statement.  $4 + 6 = 10$
- Or
- What is corporate reporting ? State the voluntary disclosures of information by the various companies through annual report.  $2 + 8 = 10$

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5. From the following information, draw up a Balance Sheet : 15

Current ratio = 2.5

Liquidity ratio = 1.5

Networking capital = Rs. 3,00,000

Stock turnover ratio = 6 times

(cost of sale/closing stock)

Gross profit ratio = 20%

Fixed asset turnover ratio = 2 times

Average debt collection period = 2 months

Fixed assets : Shareholders network = 1:1

Reserves : Share capital = 0.5:1

Or

What is comparative statement ? How do the comparative balance sheet and comparative income statement help in interpreting financial state of an enterprise ? What is the basic difference between comparative statement and common size statement ? 2+8+5=15

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6. What are the distinctions between Fund Flow Statement and Cash Flow Statement ? State the significance of Cash Flow Statement. Mention the procedure of preparing Cash Flow Statement under indirect method. 5+5+5=15

Or

(a) Mention the limitations of Cash Flow Statement.

(b) The following are the comparative Balance Sheets of ABC limited as on 31st December, 2013 and 2014. 3+12=15

Liabilities	Rs. 2013	Rs. 2014	Assets	Rs. 2013	Rs. 2014
Share capital (Share of Rs. 10 each)	3,50,000	3,70,000	Land	1,00,000	1,50,000
Profit & Loss A/c	50,400	52,800	Stocks	2,46,000	2,13,500
9% Debenture	60,000	30,000	Goodwill	50,000	25,000
Creditors	51,600	59,200	Cash and Bank	42,000	35,000
	5,12,000	5,12,000	Temporary Investment	3,000	4,000
			Debtors	71,000	84,500
				5,12,000	5,12,000

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Other particulars provided to you are —

- (a) Dividends declared and paid during the year Rs. 17,500.
- (b) Land was revalued during the year at Rs. 1,50,000 and the profit of revaluation transferred to Profit and Loss Account.

You are required to prepare a Cash Flow Statement for the year ended 31st December, 2014.