

2018
COMMERCE
MCO 102
FINANCIAL STATEMENT ANALYSIS

Full Marks: 80

Time: 3 hours

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

1. Answer the following question 1X12=12
- i. Financial statement are the
 - a) Estimated facts
 - b) Recorded facts
 - c) Anticipated facts
 - d) none of the above
 - ii. The end result of the recorded business transitions are shown in
 - a) Balance sheet
 - b) Profit and loss account
 - c) Financial statements
 - d) Non of the above
 - iii. The relationship between two financial variables can be expressed in
 - a) Pure ratio
 - b) Percentage
 - c) Rate or time
 - d) Either of the above
 - iv. Which of the following is a component of financial statement
 - a) Common size statement
 - b) Cash flow statement
 - c) comparative Statement
 - d) all of the above
 - v. Whish of the following question is correct
 - a) Asset - Capital = liabilities
 - b) Asset = Capital - liability
 - c) Asset + Revenue = Capital+ liability+ Expenses
 - d) Asset + liabilities = Capital + Expenses- Revenue

- vi. Capital gearing ratio is known as highly geared when
- When fix interest bearing long term fund are more than equity holders fund
 - When fix interest bearing long term fund are less than equity holders fund
 - When fix interest bearing long term fund are equal to equity holders fund
 - None of the above
- vii. Which of the following is not an item of balance sheet
- Interest payable
 - Interest paid
 - Interest receivable
 - All of the above
- viii. Net working capital means
- Excess of current liability over current asset
 - Excess of total asset over total liability
 - Excess of fix asset over current liability
 - Excess of current asset over current liability
- ix. Which of the following statement is true
- Current ratio will be improve when there is cash purchase of good
 - Current ratio will be improve if there is improvement in collection from debtors
 - When there is increase in sale of goods and services
 - All of the above
- x. Flow of fund take place When a transaction affect two
- Non-current items
 - Two current item
 - A current and non-current items
 - all of the above
- xi. State which of the following statement is correct
- Cash flow statement show the changes working capital
 - Cash flow statement show the changes in cash only
 - Cash flow statement show the changes in cash and cash equivalent
 - Cash flow statement show the changes in fund only
- xii. Which of the following affects the flow of cash
- Depreciation
 - Dividend
 - Reserves
 - None of the above

2. Answer the following question 5X4=20
- Write a short note on Accounting Information System. 5
 - State the merits and demerits of trend analysis. 5
 - What is the main purpose of liquidity ratios? X Ltd., has a current ratio of 3.5:1 and quick ratio of 2:1. If excess of current assets over quick assets represented by inventories is Rs. 24,000, calculate current assets and current liabilities. 1+4=5
 - Explain the following in short 5
 - Horizontal analysis
 - Vertical analysis
 - Static and dynamic analysis
3. Answer any four of the following question 12X4=48
- What is Ratio Analysis? Explain the use of ratio analysis as a tool of financial statement Analysis. Explain if any precaution is to be taken while using ratio analysis as a tool of financial statement analysis. 2+5+5=12
 - State the various categories of companies to which the provision of the companies act 2013 will be applicable as per the section 4 of the act. Explain the provision of section 129 of the companies act. 2013 regarding the preparation and presentation of financial Statement. 2+10=12
 - Explain why preparation of cash flow statement is important? Differentiate between cash flow statement and fund flow statement. 7+5=12
 - What are the constituents of financial statement? Explain the main drawbacks of a financial statement? Why analysis of financial statement is important? 3+4+5=12
 - What are the difference between comparative statement and common-size statement? Prepare a common size statement from the following balance sheet of 1016 and 2017 of 'A' Ltd and analyse the financial health of the firm. 5+7=12

Liabilities	2016 In INR	2017 In INR	Assets	2016 In INR	2017 In INR
Shareholders Equity:			Fixed Assets:		
Common Stock	50,000	75,000	Building	30,000	40,000
Retain earning	14,000	22,800	Furniture	10,000	15,000
Total Shareholders Equity	64,000	97,800	Total fixed Assets	40,000	55,000
Current Liabilities:			Current Assets:		
creditors	10,000	12,000	Cash	5,000	6,000
Bills Payable	5,000	5,000	Debtors	20,000	30,000
Interest payable	1,000	1,200	Stock	15,000	25,000
Total current liabilities	16,000	18,200	Total current Assets	40,000	61,000
Total liabilities	80,000	1,16,000	Total Assets	80,000	1,16,000

f) Following is the balance sheet of ABC ltd. for the year ending 31 December 2016 and 2017.

liabilities	2016 In INR	2017 In INR	Assets	2016 In INR	2017 In INR
Capital:			Fixed Assets:		
Equity share capital	1,50,000	1,75,000	Furniture	2,55,000	3,10,000
Preference Capital	1,00,000	50,000	Machinery	15,000	40,000
Debenture	50,000	1,00,000			
Profit and loss	55,000	1,35,000	Current Assets:		
Current Liabilities:			Debtors	1,20,000	1,87,500
Creditors	20,000	50,000	Inventory	4,000	2,000
Bills payable	20,000	30,000	Bank	1,000	500
	3,95,000	5,40,000		3,95,000	4,50,000

Additional information

- Depreciation during the year 2017 is Rs 30,000
- A machine the book value of which is Rs. 20,000 was sold for Rs. 1,250.
- 15% dividend was paid to the equity holders for the year 2016
- Preference Share were redeemed at a premium of 15% on December 31, 2017

You are required to prepare "a statement of changes in working capital" and "a statement of sources and application" of fund showing all the adjustment that are required.
