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6 SEM TDC FSA 2 (Sp)

2014

(May)

COMMERCE

(Speciality)

Course : 602

(Financial Statement Analysis)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

**1. (a) Fill in the blanks with appropriate
word(s) : 1×5=5**

**(i) Financial statements are —
(estimates of facts/recorded facts/
anticipated facts).**

**(ii) Long-term solvency ratio is the
same as — (current ratio/acid-
test ratio/debt-equity ratio).**

**(iii) The objectives of financial reporting
for business enterprises are based
on — (GAAP/the need for conser-
vatism/the needs of the users of
the information).**

(iv) The Institute of Chartered Accountant of India (ICAI) has decided to converge the Indian GAAP into IFRS for financial reporting of corporate India with effect from 1st April — (2011/2012/2013).

(v) Disclosures in the financial statements of banks and similar financial institutions are associated with — (IAS 30/IAS 31/IAS 32).

(b) State whether the following statements are True or False : $1 \times 3 = 3$

(i) Financial statements accomplish only external reporting.

(ii) Current ratio is also known as liquid ratio.

(iii) IFRS-4 is associated with insurance contracts.

2. Write short answers to the following questions : $4 \times 4 = 16$

(a) Discuss the significance of Financial Statement Analysis.

(b) What are the limitations of ratio analysis?

(c) Distinguish between 'financial reports' and 'financial statements'.

(d) What are the benefits of Global Accounting Standard?

3. (a) What do you understand by Analysis of Financial Statements? "Financial Statements suffer from a number of limitations." Discuss. 6+5=11

Or

- (b) What are the tools normally adopted by a financial analyst while analysing the financial statements? Explain how economical value added to the statements are useful for a potential investor. 6+5=11
4. (a) From the following information, prepare the Balance Sheet of X Company showing the details of working : 12

Paid-up Capital—₹ 50,000

Plant and Machinery—₹ 1,25,000

Total Sales p.a.—₹ 5,00,000

Gross Profit Margin—25%

Annual Credit Sales—80% of net sales

Current Ratio—2

Inventory Turnover—4

Fixed Assets Turnover—2

Sales Returns—20% of sales

Average Collection Period—73 days

Bank Credit to Trade Credit—2

Cash to Inventory—1 : 15

Total Debt to Current Liabilities—3

Or

(b) What do you mean by ratio analysis? Discuss its objectives. State the significance of solvency ratio. $4+4+4=12$

5. (a) What should be the objectives of financial reporting by business enterprises? Explain qualitative characteristics of a good financial reporting. $4+7=11$

Or

(b) How does a good corporate governance benefit the stakeholder of a company? Corporate Social Responsibility (CSR) is mandatory for corporates from April 1, 2014, what social cost and social benefits to be included in a CSR report? $5+6=11$

6. (a) What do you mean by Global Convergence of Accounting Standards? Why is it necessary to converge the Indian GAAP with IFRS in accounting practices? $5+6=11$

Or

(b) What are the benefits may enjoyed by a Nation's economy if there is a single set of Global Accounting Standard? State the steps to be adopted by an entity for first-time adoption of IFRS. $7+4=11$

7. (a) Discuss the recommendations of RBI Group on accounting and auditing on harmonization of Accounting Standards. 11

Or

- (b) Discuss the IRDA guidelines regarding the Financial Reporting of Insurance Companies (as per IFRS-4, optional) on insurance contract.
