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6 SEM TDC FSA 2 (Sp)

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(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) Comparative statement analysis is also known as _____ (vertical analysis / static analysis / horizontal analysis).
- (ii) The _____ of a company has primary responsibility for the corporation's external financial reporting functions (management / members / board of directors).

(iii) At present ASB of ICAI formulates the AS based on _____ (GAAP / IFRS / IAS).

(iv) Ratio of net profit before interest and taxes to sales is _____ ratio (net profit / profit / operative profit).

(v) The ICAI had constituted the Accounting Standard Board on _____ (1st April, 1976 / 21st April, 1977 / 20th April, 1970).

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

(i) Analysis of financial statements ignores the issue of price level changes.

(ii) Capital gearing is a term used to express the relationship between ordinary share capital and fixed interest bearing securities of a company.

(iii) The IRDA was incorporated as statutory body in April 1999.

2. Write short notes on the following (any *four*) :

4×4=16

- (a) Common size statement
- (b) Trend analysis
- (c) Acid test ratio
- (d) Financial Accounting Standard Board (FASB)
- (e) Sustainability reporting

3. (a) Explain the concept of interpretation and criticism of Financial Statement. What are the significances of Financial Statement Analysis?

5+6=11

Or

(b) Critically examine the merits and demerits of various techniques used for interpreting Financial Statements. What are the limitations of such tools?

6+5=11

4. (a) Discuss ratio analysis as a tool and technique of financial management. State the ratios which may be very useful for studying efficiency of a manufacturing concern and also explain how these will be used.

6+6=12

Or

(b) The following is the Balance Sheet of Jagjeevan Industries Ltd. as on 31st March, 2016 :

<i>Particulars</i>	<i>Figures as at the end of current period (in ₹)</i>
I Equity and Liabilities :	
Shareholders' Fund	
Equity Share Capital	22,50,000
Reserves and Surplus	9,00,000
<i>Non-Current Liabilities :</i>	
10% Debentures	7,50,000
<i>Current Liabilities :</i>	
Bank Overdraft	3,00,000
Sundry Creditors	18,00,000
	<u>60,00,000</u>
II Assets	
<i>Non-Current Assets :</i>	
Fixed Assets	24,75,000
<i>Current Assets :</i>	
Investments (short term)	2,40,000
Stock-in-Trade	13,65,000
Sundry Debtors	18,60,000
Cash	60,000
	<u>60,00,000</u>

Other Information :

Sales—₹ 1,11,60,000

Gross profit—₹ 11,16,000

You are required to calculate the following ratios : $3 \times 4 = 12$

- (i) Debt-Equity Ratio
- (ii) Proprietary Ratio
- (iii) Debtors' Turnover Ratio
- (iv) Stock Turnover Ratio

5. (a) Write a note on Corporate Social Reporting. What are the essentials of a perfect corporate social responsibility report? $5 + 6 = 11$

Or

(b) Define Financial Reporting. What are the benefits derived from Financial Reporting? $4 + 7 = 11$

6. (a) Discuss the important provisions need to be considered for financial reporting of Banking Companies and Insurance Companies. $6 + 5 = 11$

Or

(b) Discuss the guidelines of IRDA regarding disclosure of financial statements of Insurance Companies. Explain the RBI's guidelines on the Financial Reporting of NBFCs. $6 + 5 = 11$

7. (a) "Accounting Standards aim to protect the users of financial reports in providing reliable and comparable accounting information." Explain how these Accounting Standards do help accountants and auditors. $6+5=11$

Or

(b) Discuss the need of International Financial Reporting Standards (IFRS). What are the differences between International Financial Reporting Standards and Accounting Standards?

$5+6=11$
