2018

COMMERCE

(Speciality)

Course : 602

(Financial Statement Analysis)

Time : 3 hours

The figures in the margin indicate full marks for the questions

(New Course)

Full Marks : 80

Pass Marks : 24

1. *(a)* State whether the following statements are True or False : 1×5=5

   (i) Financial statements are the end product of financial accounting process.

   (ii) Liquidity ratios indicate the firms ability to pay its current liability.

   (iii) Financial statements also disclose such facts which are not recorded in accounting books.

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

(v) Corporate social responsibility reporting is not mandatory for any business in India.

(b) Fill in the blanks with appropriate word(s) : 1×3=3

(i) Financial statement analysis helps to measure _____ (operating efficiency/management efficiency/employees efficiency).

(ii) Quick assets are current assets less ______ and ______ expenses (stock, prepaid/debtor, outstanding/ bank overdraft, prepaid).

(iii) Compliance of Corporate Governance was made mandatory by SEBI as listing requirement vide _____ (Clause 49 / Clause 32).

2. Write short notes on the following (any *four*) : 4×4=16

(a) Objectives of financial statement analysis

(b) Common size statements

(c) Liquid ratio

(Continued)

(d) Corporate Financial Reporting

(e) RBI guidelines regarding financial reportings by banks

(f) Trend Analysis

3. (a) What are the constituents of Financial Statements? Give a brief note on each of them. 14

Or

(b) What are the different techniques used for the analysis and interpretation of Financial Statements? Explain in brief. 14

4. (a) The following informations are available for a firm : 14

Gross Profit Ratio—25%

Net Profit/Sales—20%

Stock Turnover—10

Net Profit/Capital—1/5

Capital/Total Liabilities—1/2

Fixed Assets/Capital—5/4

Fixed Assets/Current Assets—5/7

Fixed Assets—₹ 10,00,000

Closing Stock—₹ 10,00,000

Find out :

(i) Cost of Sales

(ii) Gross Profit

(iii) Net Profit

(iv) Current Assets

(v) Capital

(vi) Total Liabilities

(vii) Opening Stocks

Or

(b) "As a technique of financial analysis, ratios must be used with great precautions." In the light of the above statement, critically examine the importance of ratios and their limitations. 14

5. (a) Discuss the current status of Corporate Governance Reporting in India. How does Corporate Governance Reporting differ from Corporate Financial Reporting? 7+7=14

Or

(b) Give a brief note on mandatory and voluntary disclosures on Corporate Social Responsibility Reporting. 14

6\. *(a)* Explain the recommendations of the report of the advisory groups on accounting and auditing setup by Reserve Bank of India. Distinguish between Financial Reporting by banks and NBFC. 8+6=14

Or

(b) Discuss the IRDA guidelines regarding the Financial Reporting of Insurance Companies in India. 14

(Old Course)

Full Marks : 80

Pass Marks : 32

1. *(a)* State whether the following statements are True or False : $1\times5=5$

   (i) Financial statements accomplish only internal reporting.

   (ii) Current ratio is also known as acid test ratio.

   (iii) Corporate financial reporting in fact is an effective communication of accounting information between the management and the user groups of the financial statements.

   (iv) The new name for standard issued by the FASB is International Financial Reporting Standards (IFRS).

   (v) The IRDA was incorporated as a statutory body in April 2000.

(b) Fill in the blanks with the appropriate words : 1×3=3

(i) The basic objective of financial statements is to _____ (provide accounting information/meet legal requirement/show performance of management).

(ii) GAAP stands for _____.

(iii) According to IFRS, banking companies are to adopt ______ (fair value accounting/historical value accounting).

2. Write short notes on any *four* of the following : 4×4=16

(a) Value-added statement

(b) Limitation of ratio analysis

(c) RBI guidelines regarding financial reporting of banks

(d) IRDA

(e) Profitability ratio

(f) Comparative statements

3. *(a)* State the significance of analysis of Financial Statements towards the stakeholder of the company. What are the limitations of Financial Statements? 5+6=11

Or

(b) "Analysis of Financial Statements is affected by the window dressing and bias motive of analyst." Explain. Also explain the tools used for analysis financial statements. 5+6=11

4. *(a)* Discuss the advantages and limitations of Ratio Analysis. 6+6=12

Or

(b) Prepare a projected Balance Sheet on the basis of the following information : 12

Estimated Sales—₹ 4,50,000

Sales to Net Worth—2·5 times

Total Debt to Net Worth—65%

Current Liabilities to Net Worth—25%

Current Ratio—3·6

Sales to Inventory—5 times

Average Collection Period—36 days in a year of 360 days

Fixed Assets to Net Worth—75%

5. *(a)* Why is the financial reporting a mandatory requirement in the annual report of a company? How is financial reporting differ from financial statements? 6+5=11

Or

(b) Disclosure of corporate governance practices followed by Indian companies in their published annual reports is the best way to provide information to its stakeholders. Comment. 11

6. *(a)* Discuss about the convergence of Indian Accounting Standards with IFRS. 11

Or

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

7. *(a)* Discuss the important provisions needed to be taken into consideration for financial reporting of Banking and Insurance Companies. 11

Or

(b) Discuss the guidelines of IRDA regarding disclosure of financial statements of Insurance Companies. 11

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