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(May)

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 : 1×4=4
- (i) Valuation of unsold stock depends on the personal judgment of the accountant.
- (ii) Earning yield ratio is the relationship between earning per share and the market value of per share.

(iii) Clause 49 of the Listing Agreement consists of mandatory provisions only.

(iv) CRR stands for Cash Reserve Ratio.

(b) Fill in the blanks with appropriate word(s) : 1×4=4

(i) Creditors are always interested in knowing the _____ (financial soundness / earning capacity / solvency position) of the business.

(ii) Liquid assets is computed by deducting _____ (cash / debtors / stock and prepaid expenses).

(iii) Reporting of corporate governance reflects _____ (socio-economic status / company management / economic status).

(iv) Cash certificates are _____ (time liabilities / demand liabilities / time and demand liabilities).

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

(a) Common-size income statement

(b) Statement of changes in financial position

- (c) Activity ratios
- (d) Corporate social responsibility reporting
- (e) Statutory liquidity ratio (SLR)
- (f) Non-banking financial company (NBFC)

3. (a) What is financial statement analysis? State the significance of analysis of financial statements in respect to stakeholders of the company. 4+10=14

Or

(b) Following are the two Ledger Balances A Ltd. and B Ltd. as on 31st March, 2017 :

<i>Cr. Balances</i>	<i>A Ltd.</i>	<i>B Ltd.</i>	<i>Dr. Balances</i>	<i>A Ltd.</i>	<i>B Ltd.</i>
	₹	₹		₹	₹
Sundry Creditors	42,000	1,54,000	Cash	27,000	72,000
Other Current Liabilities	78,000	62,000	Sundry Debtors	2,20,000	2,26,000
Fixed Liabilities	2,25,000	3,18,000	Stock	1,00,000	1,74,000
Capital	6,58,000	4,93,000	Prepaid Expenses	11,000	21,000
			Other Current Assets	10,000	21,000
			Fixed Assets (net)	6,35,000	5,13,000
	10,03,000	10,27,000		10,03,000	10,27,000

From the above data, prepare a common-size statement and make comments.

7+7=14

4. (a) "Ratio analysis is a tool of financial statement analysis for identifying financial strength, weakness and growth of an enterprise in a simple and understandable form to the interested parties." Discuss. 14

Or

- (b) Describe with illustrations of the following : $3\frac{1}{2} \times 4 = 14$

- (i) Debt to equity ratio
- (ii) Current ratio
- (iii) Operating ratio
- (iv) Inventory turnover ratio

5. (a) What do you mean by financial reporting? Discuss its main qualitative characteristics which make financial reporting more reliable to its users.

4+10=14

Or

- (b) Discuss the new standards of Corporate Governance under the Companies Act, 2013. 14

6. (a) Discuss the provisions of Banking Regulation Act, 1949 relating to Financial Statement of banking company. 14

Or

- (b) What is non-banking financial company? Discuss the RBI guidelines on regulatory framework of NBFC.

4+10=14

(Old Course)

Full Marks : 80

Pass Marks : 32

1. (a) Fill in the blanks with appropriate word(s) : 1×4=4

- (i) Financial statements are _____ (recorded facts / estimated facts / anticipated facts).
- (ii) Static analysis takes the data for _____ (one year / two years / three years).
- (iii) Net capital employed _____ [all assets - current liabilities / all assets (excluding fictitious assets) - current liabilities / current assets - current liabilities].
- (iv) International Accounting Standard-2 associated with _____ (cash flow statement / inventories / revenues).

(b) State whether the following statements are True or False : 1×4=4

- (i) Cash flow statement is a part of financial statement.
- (ii) Economic value added helps to measure the performance of business.

(iii) CSR policy does not include the activities relating to promotion of gender equality and empowering women.

(iv) Section 24 of Banking Regulation Act, 1949 specifies the requirement of maintenance of cash reserve ratio.

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

(a) Indian accounting standard

(b) Balance Sheet ratios

(c) Sustainability reporting

(d) NBFC

(e) Demand and time liabilities

(f) Insurance contracts

3. (a) "Analysis of financial statements is the best way to judge the overall financial health of a company." Explain the statement with your justification. 12

Or

(b) What is common-size income statement? State the steps for preparation of common-size income statement. 4+8=12

4. (a) Describe the principle ratios which you consider significant while interpreting the financial statement of a company and explain the inferences which may be drawn from them. 11

Or

- (b) The following information is given about PD Ltd. for the year ended 31st March, 2017 :

Current ratio—2.5 : 1

Acid-test ratio—1.5 : 1

Current liabilities—₹ 50,000

Find out—

(i) current assets;

(ii) liquid assets;

(iii) inventory. 4+3+4=11

5. (a) Define financial reporting. What are the benefits derived from financial reporting? 4+7=11

Or

- (b) What is corporate social responsibility reporting? Explain the present legal provisions of corporate social responsibility and its reporting practices in India. 4+7=11

6. (a) What are Accounting Standards? Why is it necessary to convergence the Indian GAAP with IFRS in Indian accounting practices? 3+8=11

Or

- (b) What is international financial reporting standard (IFRS)? What are the differences between IFRS and AS? 3+8=11

7. (a) Discuss all the important provisions of Banking Regulation Act, 1949 for Banking Companies. 11

Or

- (b) Write brief note on IRDA. Discuss the impacts of IFRS on insurance industry in India. 3+8=11

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