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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 : 1×5=5
- (i) Financial statements disclose only monetary facts.
 - (ii) The figures shown in financial statements are on historical cost basis.
 - (iii) Current Ratio is calculated to compare current assets and fixed assets.

(2)

- (iv) A decrease in Stock Turnover Ratio indicates that business is becoming more efficient.
- (v) Corporate social responsibility reporting is not mandatory for any business in India.
- (b) Fill in the blanks with appropriate word(s) : $1 \times 5 = 5$
- (i) Profit or Loss of Life Insurance business is determined by preparing — (Revenue Account/ Valuation Balance Sheet).
- (ii) A Banking Company incorporated in India shall have to transfer a sum equal to — (20%/30%) of profit to a Statutory Reserve.
- (iii) According to RBI Guidelines a Provision of — (20%/30%) is required for any advance remains doubtful up to one year.
- (iv) Common Size Statement Analysis is known as — (Vertical Analysis/ Horizontal Analysis).
- (v) Compliance of Corporate Governance was made mandatory by SEBI as listing requirement vide — (Clause 49/Clause 32).

(3)

2. Write short notes on the following (any four) : $4 \times 4 = 16$
- (a) Economic Value Added Statement
- (b) Profitability Ratio
- (c) Corporate Governance Reporting
- (d) Valuation of Investment of NBFCs
- (e) Activity Ratio
- (f) Trend Analysis
3. (a) What do you mean by Financial Statement? Explain the nature and objectives of Financial Statement. $4 + 10 = 14$
- Or
- (b) What is Financial Statement Analysis? Explain the various techniques of analysis of Financial Statement. $4 + 10 = 14$
4. (a) "Ratio analysis is considered better than mere comparison of figures in carrying out overall appraisal of business." Explain how ratio analysis is better tool for appraisal.

(4)

Or

- (b) Debtors' Velocity—3 months
Creditors' Velocity—2 months
Stock Velocity—8 times
Fixed Assets Turnover Ratio—8 times
Gross Profit Ratio—25%

Gross Profit in the year amounted to ₹ 80,000. There is no long-term Loan and Bank Overdraft. Reserve and Surplus amounted to ₹ 28,000. Liquid Assets are ₹ 97,333. Closing Stock is ₹ 2,000 more than Opening Stock. Bills Receivable and Payable are ₹ 5000 and ₹ 2,000 respectively.

Find out (i) Sales; (ii) Sundry Debtors; (iii) Closing Stock; (iv) Sundry Creditors; (v) Fixed Assets; and (vi) Proprietor's Fund.

Also prepare Balance Sheet with as many details as possible. 9+4=13

5. (a) What do you mean by financial reporting? State the various steps adopted by business to enhance transparency in financing reporting process. 6+7=13

(5)

Or

- (b) What is corporate social responsibility reporting? Explain the present legal provisions of corporate social responsibility and its reporting practices in India. 4+9=13

6. (a) Discuss the important provisions need to be taken into consideration for financial reporting of Insurance Companies in India and also state disclosures requirement of their financial statements as per IRDA regulations. 7+7=14

Or

- (b) Discuss the suggestions made by RBI's Advisory Group on Accounting and Auditing in Financial Reporting of Banks and Financial Institutions. 14

(6)
(Old Course)

Full Marks : 80

Pass Marks : 32

1. (a) Fill in the blanks with appropriate word(s) : 1×5=5
- (i) Reporting of Corporate Governance reflects _____ (Company Management Process / Earning Status / Assets and Liabilities).
 - (ii) Long-term solvency of the business is reflected by _____ (Acid Test Ratio / Debt-equity Ratio / Stock Turnover Ratio).
 - (iii) Accounting Standards Board (ASB) was set up in India in the year _____ (1973 / 1975 / 1977).
 - (iv) The basic objective of financial statements is to _____ (provide information / meet legal requirement / show performance of management).
 - (v) Disclosure in financial statements of banks and similar financial institutions is associated with _____ (IAS-30 / IAS-31 / IAS-32).

(7)

- (b) State whether the following statements are True or False : 1×3=3
- (i) Financial statements reflect the recorded facts.
 - (ii) The new name of Accounting Standards issued by IASB is International Financial Reporting Standards (IFRS).
 - (iii) Current Ratio indicates short-term debt paying ability of a firm.
2. Write short notes on any *four* of the following : 4×4=16
- (a) Comparative Statement Analysis
 - (b) Indian Accounting Standards
 - (c) Solvency Ratios
 - (d) Corporate Social Responsibility Reporting
 - (e) RBI Guidelines on Financial Reporting of NBFCs
3. (a) What do you mean by Financial Statement? Explain the objectives and limitations of Financial Statement. 11
- Or
- (b) "Analysis of Financial Statement is best way to judge the overall financial health of a business." Explain the statement with your justification. 11

(8)

4. (a) What do you mean by Ratio Analysis? Explain the different types of Ratio used for the purpose of Financial Statement Analysis. 12

Or

- (b) From the following information, prepare the Balance Sheet : 12

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Net Working Capital	75,000
Reserve and Surplus	1,00,000
Bank Overdraft	60,000
Current Ratio	1.75
Liquid Ratio	1.15
Fixed Assets to Proprietor's Fund	0.75
Long-term Liabilities	Nil

5. (a) What are the objectives of financial reporting? Explain the qualitative characteristics of a good financial reporting. 4+7=11

Or

- (b) What do you mean by Corporate Governance? Discuss how good Corporate Governance Reporting is useful to users of financial report. 11

6. (a) What do you mean by Accounting Standards? Explain the role of Accounting Standards for Global Harmonization of financial reporting. 4+7=11

(9)

Or

- (b) What is International Financial Reporting Standards (IFRS)? Describe the role played by Indian accounting regulatory bodies for convergence of Indian Accounting Standards with IFRS. 11

7. (a) Explain the important provisions relating to Disclosure requirement of Banks and Financial Institutions issued by Reserve Bank of India. 11

Or

- (b) Discuss the IRDA guidelines regarding the financial reporting of Insurance Companies on Insurance Contract. 11
