

**NEW****2018****M.Com. 4th Semester Examination****FINANCIAL STATEMENT ANALYSIS****PAPER—COM-404 (AF)****Subject Code—03***Full Marks : 50**Time : 2 Hours**The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.**Illustrate the answers wherever necessary.***Unit - I****(Marks : 20)****1. Answer any two questions from the following : 2×5****(a) High Tech Ltd. has prepared the following projections for a year :**

Sales	10,000 units
Selling price per unit	Rs. 100
Variable cost per unit	Rs. 50
Total cost per unit	Rs. 70
Credit period allowed	One month

*(Turn Over)*

The company proposes to increase the credit period allowed to its customers from one month to two months. It is envisaged that the change in the policy as above will increase the sales by 20%. It is also expected that increased sales will result in additional net working capital to the extent of Rs. 20,000. Further, it is likely that the bad debt expenses will increase from the current level of 1% to 3% of sales. The company desires a return of 15% on its investment. You are required to examine and advise whether the proposed credit policy should be implemented or not. 5

- (b) As ratios are insensiiive to negative numbers, mechanical calculation and interpretation may give wrong signals. Discuss the statement with an example. 5
- (c) What are the objectives of maintaining receivables? Briefly discuss the important decision making areas to determine a credit policy. 2+3
- (d) What are the objectives of Cash Flow Statement Analysis? Distinguish between a Cash Book and a Cash Flow Statement. 2+3

2. Answer any one question from the following : 1×10

- (a) The standard ratios for the industry and AB Company are given as follows :

Industry Standard      AB Company

Current Ratio	2.4	2.67
Quick ratio	1.1	0.75
Debtors Turnover Ratio	8.0	10.0
Stock Turnover Ratio	9.8	3.33
Assets Turnover Ratio	2.0	1.43
Working Capital Turnover	1.94	2.7
Net Profit Ratio	3.3%	2.1%
Net Profit on Net Worth	10.7%	4.8%
Total Debts on Total Assets	63.5%	37.7%

Comment on the performances of the company. 10

(b) From the Balance Sheet of Dutta Bros. Pvt. Ltd. as at March 31, 2017 and 2018 are presented as follows :

	<u>2017</u>	<u>2018</u>
	(₹)	(₹)
<b>Assets :</b>		
Fixed Assets	70,000	88,000
Investment	40,000	40,000
Cash	6,000	8,000
Debtors	7,000	12,000
Prepaid Rent	3,600	2,400
Stock	32,000	28,000
	<u>1,58,600</u>	<u>1,78,400</u>

**Liabilities :**

Equity Capital	50,000	60,000
Profit and Loss Account	26,400	20,900
Debentures	35,000	35,000
Accumulate Depreciation	20,000	21,500
Creditors	7,200	9,000
Taxes Payable	6,000	6,000
Bills Payable	14,000	26,000
	<u>1,58,600</u>	<u>1,78,400</u>

**Additional Information :**

- (i) Purchased a new fixed assets costing Rs. 25,000 ;
- (ii) Disposed off a fully depreciated asset having original cost of Rs. 7000 and no salvage value ;
- (iii) Net profit during the year amounted to Rs. 2000 ;
- (iv) Income tax paid during the year was Rs. 6000.

Prepare a statement of changes in financial position  
(cash basis). 10

**Unit - II**

(Marks : 20)

3. Answer any *two* of the following questions : 2×5

- (a) What is IFRS ? Give the road map issued by MCA for adoption of IFRS by Indian NBFCs. 1+4

- (b) IFRS-16 will lead some major changes in lease accounting for lessee. In the backdrop of this statement write briefly the changes that will encompass in the balance sheet and in the income statement of the lessee. 5
- (c) Narrate briefly the provisions of Companies Act 2013 regarding the discharge of corporate social responsibility. 5
- (d) What disclosures an entity should make in its financial statements regarding its reportable segments? Answer with reference to Ind AS-108. 5

4. Answer any *one* of the following questions : 1×10

- (a) Considering the demand of the people of Midnapore, the General Manager of South-Eastern Railway has decided to construct an over pass at the the Tantigeria Railway crossing. On an average, 90 trains pass through this crossing on each day. Among those trains 50 are passenger trains and 40 are goods trains. On the other hand, 800 road vehicles also cross the railway track on each day, among those 500 are private vehicles and 300 are commercial vehicles. 20% of the trains are delayed for five minutes at this cross gate due to red signal as the cross gate remains open at that time. On the other hand, 30% of the road vehicles are also delayed for ten minutes at the crossing as the gate remains closed for

The maintenance cost of the overpass is estimated as Rs. 2 lakh per annum.

Compute the social benefit-cost B-C) ratio of the overpass project and evaluate its feasibility. 10

- (b) (i) The following companies produce and sell multiple products. The product lines of the companies are given below. You are required to classify the products into different segments clearly stating the basis of segmentation.
- A. Products of **Amul Co.**— Amul Ghee, Amul Cornetto Cone, Amul Cheese, Amul Vanilla Ice-cream, Amul Choco-bar, Amul Pizza, Amul Butter-Scotch Ice-cream, Amul Lassi, Amul Butter, Amul Kool, Amul milk bread, Amul Paneer, Amul Jeera Toast.
- B. Products of *Sudhi Garments Co.* — Lahenga, Trousers (Men), Formal shirts (Men), Salwar Suits, T-Shirts (Men), Frocks, Kurti, Baby Suits, Silk Sarees, T-Shirts (Babies), Jeans (Women), Jeans (Men).
- (ii) Entity P has operating segments A–F (below). The revenues (internal and external), profits and assets are set out below. Entity P needs to determine how many reportable segments it has.

(in Rs. Lakh)

<i>Segments</i>	<i>Total Revenue</i>	<i>Profit/Loss</i>	<i>Total Assets</i>
A	11,00	2,000	25,000
B	7,500	1,000	15,500
C	3,000	(1,000)	10,500
D	2,500	(300)	6,000
E	5,000	600	8,000
F	1,500	200	3,500

**[ Internal Assessment — 10 Marks ]**

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