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PG/IVS/COM-404/15

**M.Com. 4th Semester Examination, 2015**

**FINANCIAL STATEMENT ANALYSIS**

**PAPER – COM- 404(AF)(Unit-I & II)**

*Full Marks : 50*

*Time : 2 hours*

*The figures in the right hand margin indicate 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 : 5 × 2**

**(a) The standard ratios for the industry and the ratios of one company of the industry are given**

*( Turn Over )*

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bellow. Comment on the efficiency of the working of the company. 5

	Industry Average	Ratio of the Company
Current ratio	2.50	1.90
Gross profit ratio	0.30	0.25
Fixed expenses to sales ratio	0.15	0.13
Sales to capital employed	3.00	4.00
Fixed assets to long term fund	1.00	0.80
Rate of return on capital employed	45%	48%

- (b) What are the objectives of maintaining debtors? Explain the various costs of maintaining debtors in a firm. 2 + 3
- (c) Narrate the objectives of financial statement. 5
- (d) Distinguish between Cash Flow Statement and Income Statement. 5

2. Answer any *one* question :

10 × 1

(a) High Vision Company's present annual sales amount to Rs. 40,00,000 at Rs. 16 per unit. Variable cost are Rs. 10 per unit and fixed cost amount to Rs. 3,00,000 annually. The present credit period of one month is proposed to be extended to two or three months, whichever appears to be more profitable. It is estimated that in the event of extension of credit policy, sales will increase by 10 per cent and 25 per cent respectively. Per cent of bad debt to sales for the present plan and proposed two plans are 1%, 2% and 3% respectively. Fixed cost will increase by Rs. 1,00,000 after any increase in sales above 20 per cent. It is also expected that increased sales for the two proposed plans will result in additional net working capital to the extent of Rs. 1,00,000 and Rs. 2,50,000 respectively. The increase in collection expenses for the two proposed plans will be Rs. 15,000 and Rs. 25,000 respectively. The required return on investment is 15 per cent. Evaluate the proposal.

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(b) The Balance Sheet of Sona Company Pvt. Ltd. as at December 31, 2013 and 2014 are presented as follows :

	2013 (Rs.)	2014 (Rs.)
<i>Assets :</i>		
Fixed Assets	1910	2180
<i>Less</i> , Depreciation	(1060)	(1450)
Long term investment	2500	2500
Inventories	1950	900
Debtors	1200	1700
Cash and Bank	25	160
Short term investment	135	630
Interest Receivable	—	100
	<u>6,660</u>	<u>6,720</u>
<i>Liabilities :</i>		
Equity Capital	1250	1500
Reserve	1350	3330
Debentures	1040	1110
Creditors	1890	150
Interest Payable	100	230
Provision for Tax	1000	400
	<u>6,660</u>	<u>6,720</u>

The summarized Income Statement for the year 2014 are as follows :

Sales	30650
Less : Cost of goods sold	<u>26000</u>
Gross Profit	4650
Less : Depreciation	450
Interest	400
Advertisement	910
Foreign Exchange Loss	<u>40</u>
	<u>1800</u>
	2850
Add : Interest Income	300
Dividend	<u>200</u>
	<u>500</u>
	3350
Add : Insurance claim for earthquake loss	180
Income tax provision (for the current year)	260
	<u>3270</u>
Net Profit	<u>3270</u>

*Additional Information :*

- (i) Plant having accumulated depreciation of Rs. 80 and accumulated depreciation of Rs. 60 was sold for Rs. 20.

- (ii) Foreign exchange loss of Rs. 40 represents loss in value of short term investments.
- (iii) Debentures of Rs. 180 were redeemed during the year.
- (iv) Out of interest expenses of Rs. 400, Rs. 170 were paid during the year.
- (v) Dividend of Rs. 1200 together with dividend tax at 10% was paid during the year.

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

UNIT -- II

[ Marks : 20 ]

3. Answer any *two* of the following questions :  $5 \times 2$

- (a) What do you understand by 'operating segment'? Write down the factors to be considered for aggregating two or more operating segments. 2 + 3

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- (b) Discuss in brief the benefits of adopting IFRS. 5
- (c) Narrate in brief the usefulness of corporate social reporting. 5
- (d) Write brief notes on :  $2\frac{1}{2} \times 2$
- (i) Standard Advisory Council
- (ii) IFRIC.
4. Answer any *one* question : 10 × 1
- (a) (i) Write down the important provisions of Ind AS-16 regarding measurement of property plant and Equipment.
- (ii) List up the disclosures to be made in respect of property, plant and equipment. 5 + 5
- (b) An enterprise operates through seven segments, namely, A, B, C, D, E, F and G. The relevant information about these segments is given in the following table (amounts in Rs. lakhs). You are required to identify the

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reportable segments of the enterprise, with necessary explanations as per Ind-AS 108.

	A	B	C	D	E	F	G
I. Segment Revenue :							
(a) External Sales	25	15	175	30	50	95	10
(b) Inter-segment transfer	—	—	75	20	—	55	—
II. Segment Results : [Profit/(Loss)]	(10)	(40)	70	15	30	55	(30)
III. Segment Assets :	20	15	200	35	50	150	10

**NB :** Figures in the bracket indicate negative values. 10

[ *Internal Assessment* : 10 Marks ]