

**M.Com. 4th Semester Examination, 2024**

**COMMERCE**

*( Financial Statement Analysis and  
Financial Reporting )*

PAPER – COM-405(New)

*Full Marks : 50*

*Time : 2 hours*

Answer **all** questions

- The figures in the right hand margin indicate marks*  
*Candidates are required to give their answers in their  
own words as far as practicable*

**COM— 405.1**

[ *Marks : 20* ]

1. Answer any *two* questions from the following :

5 × 2

( Turn Over )

- (a) Financial ratios are often criticized for providing a one-dimensional view of a company's financial health. Discuss the limitations of relying solely on financial ratios for making investment decisions.
- (b) What are the objectives of preparing cash flow statement and income statement ? How can significant differences between net income and operating cash flow arise ?  
2 + 3
- (c) What is Economic Value Added (EVA) and how is it calculated ? Explain the significance of EVA in measuring a company's ability to create wealth for its shareholders.  
3 + 2

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

- (a) The information below is taken from the records of two companies in the same industry (Amount in Rs. Thousand).

<u>Particulars</u>	<u>A</u>	<u>B</u>
Cash	210	320
Sundry Debtors	330	630
Stock	1,230	950
Plants and Equipments	1,695	2,400
<b>Total Assets</b>	<b>3,465</b>	<b>4,300</b>
Sundry Creditors	900	1,050
8% Debentures	500	1,000
Equity Share Capital	1,100	1,750
Retained Earnings	965	500
<b>Total Liabilities</b>	<b>3,465</b>	<b>4,300</b>
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Sales	5,600	8,200
Cost of goods sold	4,000	6,480
Other operating expenses	800	860
Interest expenses	40	80
Income taxes	266	273
Dividends	100	180

Answer each of the following questions by making a comparison of one or more relevant ratios :

- (i) Which company is using the ordinary shareholders money more profitably ?
- (ii) Which company is better able to meet its current debts ?
- (iii) If you are willing to purchase the debentures of one company, which companies debentures, would you buy ?
- (iv) Which company collects its receivables faster, assuming all sales to be credit sales ?
- (v) How long does it take the company to convert an investment in stock to cash ?

10

(b) The Balance Sheet of Dutta Bros. Pvt. Ltd. as at March 31, 2023 and 2024 are presented as follows :

<b>Assets :</b>	<b><u>2023</u></b> <b>(Rs.)</b>	<b><u>2024</u></b> <b>(Rs.)</b>
Fixed Assets	70,000	88,000
Investment	44,000	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
Accumulated 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 asset costing Rs. 25,000
- (ii) Disposed of a fully depreciated asset having original cost of Rs. 7,000 and no salvage value.
- (iii) Net profit during the year amounted to Rs. 2,000
- (iv) Income tax paid during the year was Rs. 6,000

Prepare a Cash Flow Statement from the above details. 10

**COM— 405.2**

*( Financial Reporting )*

[ Marks : 20 ]

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

(a) What is IASB ? How does it differ from IASC ? 2 + 3

(b) Give a suitable format of social reporting of a manufacturing firm with hypothetical figures. 5

(c) Fill in the blanks : 5 × 1

IFRS	Title	Effective from
IFRS 1	--	--
IFRS 3	--	--
IFRS 10	--	--
IFRS 16	--	--
IFRS 17	--	--

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

(a) What is 'reportable segment' ? How is it identified ? State the important disclosures

that are required to be made in case of segment reporting as per Ind AS 108.

1 + 4 + 5

- (b) (A) On 1-3-2010 X Co. took a lease asset (operating lease) from Y for a period of 15 years, the fair value of the lease asset as on that date was 50,00,000. The estimated residual value of the asset is Rs. 20,00,000 at the end of the lease period. It was agreed that X would pay a fixed lease rent of Rs. 3,00,000 per annum at the end of each year. At the commencement date X Co. paid Rs. 5,00,000 in lump sum to enter into the contract. X Co introduced IFRS 16 (Leases) w.e.f. the financial year 2020-21 in his financial reporting and reinstated the lease asset in his financial statements. The incremental borrowing rate of X Co. is 10%. The money factor for is 0.003. The present value of an annuity at 10% rate for 5 years is 3.7908.



Calculate :

- (i) The value of the lease asset was shown in the balance sheet of X Co. for the year 2020-21.
  - (ii) Amount of depreciation charged for the year 2020-21.
  - (iii) Amount of lease liability for the year 2020-21.
  - (iv) Amount of Cash outflow from operating activities and cash outflow from financing activities in the Cash Flow Statement on account of such lease.
- (B) What is Corporate Environment Accounting ? Write the names of three large scale and three small scale industries in India to whom National Award for environment protection is conferred every year. Write the name of any such award. 6 + 4

**[ Internal Assessment – 10 Marks ]**

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