

M.Com 4th Semester Examination, 2024

COMMERCE

PAPER—COM-404(Old)

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

(Financial Statement Analysis)

COM-404.1

1. Answer any *two* questions from the following : 2 × 2
 - (a) State the importance of Financial Statement Analysis.

(b) What are the objectives of Cash Flow Statement Analysis ?

(c) There can be no such ratio which may be treated as 'ideal'.— Explain.

(d) Mention two important limitations of Ratio Analysis.

2. Answer any *two* questions : 4 × 2

(a) The following information of two companies A and B, belonging to the same industry are as follows :

	<u>Company-A</u>	<u>Company-B</u>
Current Ratio	2.5 : 1	2 : 1
Acid test ratio	1.5 : 1	1.1 : 1
Debt-equity ratio	30%	40%
Number of times interest earned	6	5

Assume you are a Loan Officer of a commercial bank and both the companies have requested for a loan of equal amount, to be repaid over next 3 years. Based on the above information :

- (i) If you could grant a loan to only one company, which will it be ?
 - (ii) If you could grant a loan to both the companies, would you be willing to do so ? Explain.
- (b) What are the objectives of maintaining debtors ? Explain the various costs of maintaining debtors in a firm.
- (c) Briefly discuss the similarities and dissimilarities between Cash Flow Statement and Income Statement.

(d) There can be no such ratio which may be treated as 'ideal' for the firms belonging to different industries. — Explain.

3. Answer any *one* question : 8 × 1

(a) A company currently has an annual turnover of Rs. 10,00,000 and an average collection period of 45 days. the company wants to experiment with a more liberal credit policy on the ground that increase in collection will generate additional sales.

From the following information, kindly indicate which of the policies you would like the company to adopt :

Credit Policy	Increase in credit period	Increase in sales	% of Default
I	15 days	Rs. 50,000	2
II	30 days	Rs. 80,000	3
III	40 days	Rs. 1,00,000	4
IV	60 days	Rs. 1,25,000	6

The selling price of the product is Rs. 5, and the variable cost per unit is Rs. 3. The current bad debts loss is 1 per cent and the required rate of return on investment is 20 per cent.

A year can be taken to comprise of 360 days.

- (b) The Balance Sheet of X Ltd. as on March 31, 2023 and 2024 are presented as follows :

	<u>2023</u> (Rs.)	<u>2024</u> (Rs.)
Assets :		
Land and Building	80,000	1,20,000
Plant and Machinery	5,00,000	8,00,000
Stock	1,00,000	75,000
Sundry Debtors	1,40,000	1,50,000
Prepaid Expenses	14,000	12,000
Cash at Bank	16,000	18,000
	<u>8,50,000</u>	<u>11,75,000</u>

Liabilities :

Share Capital	5,00,000	7,00,000
Profit and Loss Account	1,00,000	1,60,000
General Reserve	50,000	70,000
Sundry Creditors	1,63,000	2,00,000
Bills Payable	30,000	40,000
Outstanding Expenses	7,000	5,000
	8,50,000	11,75,000

Additional Information :

- (i) Rs. 50,000 depreciation has been charged to plant and machinery during the year.
- (ii) A piece of machinery was sold for Rs. 8,000 during the year. It has cost Rs. 12,000, depreciation of Rs. 7,000 has been provided on it.

Prepare a Cash Flow Statement from the above details.

COM-404.2

1. Answer any *two* of the following questions : 2 × 2
- (a) What is IFRS ?
- (b) State any two limitations of social accounting and reporting.
- (c) Write the full form of acronyms : IASC, ICAWE, IFRSC, AICPA.
- (d) State any two objectives of IASB.
2. Answer any *two* of the following questions : 4 × 2
- (a) State the benefits of social accounting and reporting.
- (b) Fill in the blanks :

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

- (c) Write the names of some large-scale and small-scale industries in India which are considered as the polluting industries. Write the name of any one award that is conferred to the Indian companies for their environmental performance.
- (d) A company has six segments : A, B, C, D, E and F. The segments profit/loss are presented below (in Rs. Lakh) :

Segments :	A	B	C	D	E	F
Segment Profit/Loss	12	(8)	50	2	(40)	4

Identify the reportable segments of the company with clarification as per Ind AS 108.

3. Answer any *one* of the following question : 8 × 1
- (a) State the important provisions of Ind AS 108 on Operating Segments. Briefly state its major disclosure requirements. 4 + 4

(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. On 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 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) Name any four industries which are mostly affected by Ind AS 116.

6+2

[Internal Assessment – 10 Marks]

