

**Sr. No. 1289****Exam. Code : 110103****Subject Code : 3660****B. Voc. Banking & Financial Services - 3rd Sem.****(2116)****BVC-305: Financial Statement Analysis****Time allowed: 3 hrs.****Max. Marks: 50****Section A**

1. Attempt any 10 short answer questions from the following 12 questions carrying 1 mark each. The length of answer to each question should be in up to five lines.

1. What do you mean by falsification of financial statements?
2. How would you distinguish between fixed assets and current assets?
3. What do you mean by secured loans?
4. What do you mean by authorized capital?
5. What do you mean by quick assets?
6. What do you mean by profitability?
7. What do you mean by core working capital?
8. What do you mean by fund flow from operations?
9. What do you mean by credit terms?
10. What do you mean by reorder level stock?
11. What do you mean by ABC analysis?
12. What do you mean by net operating cycle?

**Section B**

Note:-Attempt any 2 questions carrying 10 marks each. The length of answer to each question should be in up to 5 pages.

**PTO**

(2)

2. What do you mean by financial statements? How would you explain balance sheet and income statement as per schedule VI?
3. What are the objectives of the analysis of financial statements? Explain the commonly deployed techniques for analysis of financial statements.
4. From the following balance sheet of company prepare a common size balance sheet and interpret it.

Liabilities	31 <sup>st</sup> Dec. 2012 Rs.	Assets	31 <sup>st</sup> Dec. 2012 Rs.
Share capital	18,00,000	Buildings	24,00,000
General reserve	18,00,000	Machinery	18,00,000
P/L A/c	9,00,000	Stocks	15,00,000
10% Debentures	18,00,000	Debtors	9,00,000
Sundry creditors	12,00,000	Investments	10,50,000
Provision for tax	1,50,000	Cash	1,50,000
Outstanding expenses	1,50,000	Goodwill	-----
Pre-received incomes	1,20,000	Prepaid expenses	67,500
		Outstanding incomes	52,500
	79,20,000		79,20,000

5. You have been given the following balance sheet of ABC Limited as on 31st March 2014 and the additional information:

Balance Sheet

Liabilities Rs.		Assets Rs.	
Share Capital (Rs. 10 fully paid up shares)	90,00,000	Goodwill	54,00,000
Reserves and surplus	36,00,000	Land and Building	27,00,000
10% Debentures	45,00,000	Plant & Machinery	72,00,000
Sundry Creditors	27,00,000	Investments	9,00,000
		Stocks	18,00,000
		Debtors	13,50,000
		Cash and Bank	4,50,000
<b>Total</b>	<b>1,98,00,000</b>	<b>Total</b>	<b>1,98,00,000</b>

The stock and debtors of the company as on 1<sup>st</sup> April 21013 were Rs. 15,40,000 and Rs. 15,10,000 respectively; Sales of the company for the year ended on 31st March 2014 were Rs.2,90,00,000 on which company earned a gross profit of Rs. 54,00,000. Compute the following ratios;

Contd...P/3



(3)

- a) Working capital ratio
- b) Acid test ratio
- c) Stock turnover ratio
- d) Average collection period
- e) Debt equity ratio
- f) Proprietary ratio
- g) Fixed assets to net worth ratio
- h) Fixed assets to long term funds ratio

**Section C**

6. What are the objectives of management of working capital? Explain the factors affecting the working capital needs of a firm.
7. What are the objectives of inventory management? Examine the operative functions of inventory management.
8. From the following balance sheets and the additional information, you are required to prepare cash flow statement for the year ended 31<sup>st</sup> December 2013.

Liabilities	31 <sup>st</sup> Dec.	31 <sup>st</sup> Dec.	Assets	31 <sup>st</sup> Dec.	31 <sup>st</sup> Dec.
	2012	2013		2012	2013
	Rs.	Rs.		Rs.	Rs.
Share capital	1,25,000	1,50,000	Buildings	1,75,000	1,85,000
General reserve	1,25,000	1,37,500	Machinery	1,25,000	1,56,250
P/L A/c	50,000	37,500	Stocks	1,00,000	75,000
10% Debentures	1,25,000	1,25,000	Debtors	50,000	37,500
Sundry creditors	75,000	70,000	Investments	62,500	50,000
Provision for tax	12,500	8,750	Cash	12,500	11,250
Outstanding expenses	12,500	5,000	Goodwill	-----	6,250
Pre-received incomes	10,000	1,250	Prepaid expenses	5,625	7,500
			Outstanding incomes	4,375	6,250
	5,35,000	5,35,000		5,35,000	5,35,000

**Additional information:**

- vi. During 2013 dividends of Rs. 15,000 were paid
- vii. Depreciation on plant and machinery amounted to Rs. 20,000
- viii. Depreciation on building amounted to Rs. 15,000
- ix. Provision for tax made during the year Rs. 20,000
- x. An item of machinery which was discarded had the written down value amounted to Rs. 15,250

9. A company uses about 75,000 valves per year and the usage is fairly constant at 6,250 per month. The valve costs Rs. 1.5 per unit when bought in quantities and the carrying cost is

**Contd....P/4**

**(4)**

estimated to be 20% of average inventory investment on an annual basis. The cost to place an order and process the order is Rs. 18. It takes 45 days to receive delivery from the date of an order and a safety stock of 3,250 valves is desired.

You are required to;

- c) Calculate the economic order quantity of raw materials,
- d) Advise , how frequently should the orders for procurement be placed,

\*\*\*\*\*

**1289(2116)100**