

Exam. Code : 110103

Subject Code : 3744

**Bachelor of Vocation (Banking and  
Financial Services) 3<sup>rd</sup> Semester**

**FINANCIAL STATEMENT ANALYSIS**

**Paper—BVC-305**

Time Allowed—3 Hours] [Maximum Marks—50

**SECTION—A**

**Note** :— Attempt any *ten* short answer questions from the following *twelve* questions carrying 1 mark each. The length of answer to each question should be in up to *five* lines.

1. (1) What do you mean by timeliness of financial statements ?
- (2) How would you distinguish between long term and current liabilities ?
- (3) What do you mean by trend ratios ?
- (4) What do you mean by trading on equity ?
- (5) What do you mean by current assets ?
- (6) What do you mean by liquidity ?
- (7) What do you mean by technical insolvency ?
- (8) What do you mean by working capital cycle ?
- (9) What do you mean by seasonal dating ?
- (10) What do you mean by selective inventory control ?
- (11) What do you mean by VED analysis ?
- (12) What do you mean by buffer stock ?

## SECTION—B

**Note** :— Attempt any *two* questions carrying **10** marks each.

The length of answer to each question should be in up to *five* pages.

2. What are the different financial statements prepared in an organization ? Explain the significance of financial statements.
3. What do you mean by comparative financial statements ? Explain the procedure for preparing comparative 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	40,00,000	Buildings	40,00,000
General Reserve	40,00,000	Machinery	40,00,000
Capital Reserve	20,00,000	Stocks	30,00,000
P/L A/c	20,00,000	Debtors	20,00,000
10% Debentures	40,00,000	Investments	20,00,000
Sundry Creditors	15,00,000	Cash	3,00,000
Provision for Tax	3,00,000	Goodwill	26,00,000
Outstanding Expenses	3,00,000	Prepaid Expenses	2,00,000
Pre-received Incomes	2,00,000	Outstanding Incomes	2,00,000
	1,83,00,000		1,83,00,000

5. You have been given the following Balance Sheet of ABC Limited as on 31<sup>st</sup> March 2016 and additional information :

**Balance Sheet**

<b>Liabilities</b>	<b>Rs.</b>
Share Capital (Rs. 10 fully paid up shares)	80,00,000
General Reserve	40,00,000
Capital Reserve	20,00,000
10% Debentures	50,00,000
Sundry Creditors	30,00,000
Outstanding Expenses	2,00,000
<b>Total</b>	<b>2,22,00,000</b>

  

<b>Assets</b>	<b>Rs.</b>
Goodwill	60,00,000
Land and Building	30,00,000
Plant & Machinery	80,00,000
Investments	10,00,000
Stocks	20,00,000
Debtors	15,00,000
Cash and Bank	7,00,000
<b>Total</b>	<b>2,22,00,000</b>

The stock and debtors of the company as on 1<sup>st</sup> April 2015 and 31<sup>st</sup> March 2016 were Rs. 15,00,000 and Rs. 17,00,000 respectively; Sales of the company for the year ended on 31<sup>st</sup> March 2016 were Rs. 3,00,00,000 on which company earned a gross profit of Rs. 60,00,000. Compute the following ratios :

- (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

**Note** :— Attempt any *two* questions carrying **10** marks each.  
The length of answer to each question should be in up to *five* pages.

6. What are the different dimensions of management of working capital ? Explain the sources of financing the working capital needs of a firm.
7. What are the objectives of receivables management ? Examine the main issues involved in receivables 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 2016 :

Liabilities	31 <sup>st</sup> Dec.	31 <sup>st</sup> Dec.
	2012	2013
	Rs.	Rs.
Share Capital	5,00,000	6,00,000
General Reserve	5,00,000	5,50,000
P/L A/c	2,00,000	1,50,000
10% Debentures	5,00,000	5,00,000
Sundry Creditors	3,00,000	2,80,000
Provision for Tax	50,000	35,000
Outstanding Expenses	50,000	20,000
Pre-received Incomes	40,000	5,000
	21,40,000	21,40,000

Assets	31 <sup>st</sup> Dec	31 <sup>st</sup> Dec.
	2012	2013
	Rs.	Rs.
Buildings	7,00,000	8,00,000
Machinery	5,00,000	6,00,000
Stocks	3,00,000	2,00,000
Debtors	2,00,000	1,00,000
Investments	2,00,000	3,00,000
Cash	2,00,000	50,000
Goodwill	—	25,000
Prepaid Expenses	15,000	15,000
Outstanding Incomes	25,000	50,000
	21,40,000	21,40,000

**Additional information :**

- (i) During 2016 dividends of Rs. 50,000 were paid
- (ii) Depreciation on plant and machinery amounted to Rs. 80,000
- (iii) Depreciation on building amounted to Rs. 5,55,000
- (iv) Provision for tax made during the year Rs. 80,000
- (v) An item of machinery which was discarded had the written down value amounting to Rs. 55,250.

9. A company uses about 3,00,000 units of an item per year and the usage is fairly constant at 25,000 per month. The item costs Rs. 6 per unit when bought in quantities and the carrying cost is estimated to be 20% of average inventory investment on an annual basis. The cost to place an order and process the order is Rs. 60. It takes 45 days to receive delivery from the date of an order and a safety stock of 3,000 units is desired.

You are required to :

- (a) Calculate the economic order quantity of raw materials.
- (b) Advise, how frequently should the order for procurement be placed.