

Exam. Code : 110103

Subject Code : 2690

Bachelor of Vocation (Banking & Financial Services)

3rd Semester

FINANCIAL STATEMENT ANALYSIS

Paper—BVC-305

Time Allowed—3 Hours]

[Maximum Marks—50

SECTION—A

Note :— 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 **5** lines.

1. (1) What do you mean by window dressing ?
- (2) What do you mean by falsification of financial statements ?
- (3) What do you mean by current liabilities ?
- (4) What do you mean by operating profit ratio ?
- (5) What do you mean by dividend yield ?
- (6) What do you mean by comparative income statement ?
- (7) What do you mean by gross working capital ?
- (8) What do you mean by credit investigation ?
- (9) What do you mean by cash flow from investing activities ?

- (10) What do you mean by cash discount ?
 (11) What do you mean by stock turnover ?
 (12) What do you mean by reorder period ?

SECTION—B

Note :— Attempt any **two** questions carrying **10** marks each.
 The length of answer to each question should be in
 upto **5** pages.

- What are the main financial statements ? Explain the qualities of good financial statements. Who are the users of financial statements ?
- What do you mean by common size financial statements ? Explain the procedure for preparing common size financial statements.
- What do you mean by ratio analysis ? Explain the guidelines for the interpretation of financial ratios.
- You have been given the following balance sheet of ABC Limited as on 31st March 2016 and the additional information.

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share Capital (Rs. 10 fully paid up shares)	20,00,000	Goodwill	8,00,000
Reserves and surplus	20,00,000	Land and Building	20,00,000
10% Debentures	20,00,000	Plant and Machinery	10,60,000
Sundry Creditors	12,00,000	Furniture	4,00,000
Provision for tax	4,00,000	Investments	13,30,000
Bills payable	1,50,000	Stocks	16,00,000
		Debtors	3,60,000
		Cash and Bank	2,00,000
Total	77,50,000	Total	77,50,000

The stock and debtors of the company of the company as on 1st April 2015 were Rs. 24,00,000 and Rs. 4,00,000 respectively. Sales of the company for the year ended on

31st March 2016 were Rs. 90,00,000 on which company earned a gross profit of Rs. 18,00,000. 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 upto **5** pages.

6. What do you mean by working capital ? Explain the different issues and challenges in the management of working capital.
7. From the following balance sheet and the additional information, you are required to prepare fund flow statement for the year ended 31st December 2013.

Liabilities	31st Dec. 2012 (Rs.)	31st Dec. 2013 (Rs.)
Share capital	24,00,000	28,00,000
General reserve	24,00,000	26,00,000
P/L A/c	12,00,000	10,00,000
10% Debentures	24,00,000	24,00,000
Sundry creditors	16,00,000	18,00,000
Provision for tax	2,00,000	3,00,000
Outstanding expenses	2,00,000	80,000
Pre-received incomes	1,60,000	20,000
	1,05,60,000	1,10,00,000

Assets	31st Dec. 2012 (Rs.)	31st Dec. 2013 (Rs.)
Buildings	32,00,000	38,00,000
Machinery	24,00,000	29,00,000
Stocks	20,00,000	16,00,000
Debtors	12,00,000	10,00,000
Investments	14,00,000	12,00,000
Cash	2,00,000	1,80,000
Goodwill	-----	1,00,000
Prepaid expenses	90,000	1,20,000
Outstanding incomes	70,000	1,00,000
	1,05,60,000	1,10,00,000

Additional Information :—

- (i) During 2013 dividends of Rs. 1,20,000 were paid.
 - (ii) Depreciation on plant and machinery amounted to Rs. 2,44,000.
 - (iii) Provision for tax made during the year Rs. 3,00,000.
 - (iv) Loss on sale of machinery amounted to Rs. 56,000.
8. What do you mean by a collection policy ? Examine the main considerations in designing a collection policy.
 9. What do you mean by selective inventory control ? What are the different methods of selective inventory control ?