STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2011-2012)

SUBJECT CODE : CM/AC/TF34

B.A. DEGREE EXAMINATION NOVEMBER 2012
BRANCH III - ECONOMICS
THIRD SEMESTER

REG. No.________________

COURSE	**:**	**ALLIED – CORE**
PAPER	**:**	**TOOLS FOR FINANCIAL STATEMENT ANALYSIS**
TIME	**:**	**30 MINS. MAX. MARKS : 30**

SECTION – A
TO BE ANSWERED IN THE QUESTION PAPER ITSELF

I FILL IN THE BLANKS: (10 x 1 = 10)

1. Financial statements disclose only ______________ facts.
2. ____________ is the statement that depicts the financial strength of the concern.
3. ___________ is not included in marginal cost.
4. Fixed cost + profit =______________
5. Fund flow refers to changes in ____________.
6. Liquid Assets = Current Assets ________________.
7. Purchase of a machinery results in ___________________ of fund.
8. Sales at which there is no profit or loss is called____________
9. An increase in liability is a ___________________ of Cash.
10. Debt equity ratio is the relationship between outsiders funds and ____________.

II STATE WHETHER TRUE OR FALSE: (10 x 1 = 10)

11. A fund flow statement is a substitute for income statement.
12. Higher turnover ratio usually indicates managerial efficiency
13. At the break-even point , the contribution will be equal to variable cost.
14. The break-even point increases when fixed cost increases.
15. There is no difference between cash from operation and fund from operation.
16. Current ratio measures the liquidity of the concern.
17. When selling price is increased, the break-even point decreased.
18. Ratio analysis is tool to examine the health of business.
19. Vertical analysis is also known as ‘static analysis’.
20. The impact of non-monetary facts can be recorded in financial statements.

III CHOOSE THE CORRECT ANSWER: (10x1=10)

21. Horizontal analysis is done by analyzing
    a) Financial statements of a particular year b) Half yearly statement
    c) Financial statements of several years d) none of these.

22. Trend analysis is significant for
    a) Profit planning b) Working Capital management
    c) Capital rationing d) Forecasting and Budgeting.

23. Debt equity ratio is a
    a) Turnover ratio b) Solvency ratio
    c) Rate of return d) Acid test ratio

24. The relationship between sales and contribution is depicted by
    a) Break-even point b) Margin of safety
    c) Profit-volume ratio d) None of these

25. Dividend paid, under AS-3 ,is
    a) Cash flow from financing activity b) Cash flow from operating activity
    c) Cash flow from investing activity d) Cash flow from current operations

26. A key factor is :
    a) Budget factor b) Cost factor
    c) Limiting factor d) Profit factor

27. At break-even point, sales is equal to
    a) Total cost b) Variable cost
    c) Fixed cost d) None of these

28. Funds from operation is :
    a) Gross profit b) Net profit
    c) Operating profit d) Internal source of fund.

29. P/V ratio will increase if the variable cost per unit
    a) Increases b) Decreases
    c) Remains the same d) None of these

30. Contribution-- fixed cost=
    a) Total cost b) Loss
    c) Profit d) None of these

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PAPER	**:**	**TOOLS FOR FINANCIAL STATEMENT ANALYSIS**
TIME	**:**	**2 ½ HOURS** **MAX. MARKS : 70**

SECTION – B

ANSWER ANY FOUR QUESTIONS: **(4 x 10 = 40)**

1. The following is the Trading and Profit & Loss a/c for the year ending 31.12.2005

TRADING & PROFIT & LOSS A/C

	Rs.		**Rs.**
To opening stock	76,250	By sales	5,00,000
To purchases	3,15,250	By closing stock	98,500
To factory expenses	7,000		
To gross profit	2,00,000		
	5,98,500		5,98,500
To administrative expenses	1,01,000	By gross profit	2,00,000
To selling expenses	12,000	By non-operating income	6,000
To non-operating expenses	9,000		
To net profit	84,000		
	2,06,000		2,06,000

Prepare a Common size statement.

2. The following are the Comparative balance sheets of XYZ Ltd. as on 31st December 2009 and 2010.

LIABILITIES	**2009 Rs.**	**2010 Rs.**	**ASSETS**	**2009 Rs.**	**2010 Rs.**
			Land	1,00,000	1,50,000
Share capital	3,50,000	3,70,000	Stock	2,46,000	2,13,500
Profit & Loss A/c	50,400	52,800	Goodwill	50,000	25,000
			Cash	45,000	39,000
Debentures	60,000	30,000	Debtors	71,000	84,500
Creditors	51,600	59,200			
	5,12,000	5,12,000		5,12,000	5,12,000

Other information provided to you -
Dividends declared and paid during the year Rs.17,500

You are required to prepare a Cash Flow Statement for the year ended 31.12.2010

3. The following information is given about M/S S.P. Ltd for the year ending December 31st, 2010

i)	Stock turnover ratio	=	6 times
ii)	Gross profit ratio	=	20% on sales
iii)	Sales for 2010	=	Rs.3,00,000
iv)	Closing stock is Rs.10,000 more than the opening stock		
v)	Opening creditors	=	Rs.20,000
vi)	Closing creditors	=	Rs.30,000
vii)	Trade debtors at the end	=	Rs.60,000
viii)	Net working Capital	=	Rs.50,000

Find out a) Average Stock. b) Creditors Turnover Ratio
c) Purchases d) Average Collection period
e) Average payment period

4. From the following information calculate net profit and cash from operations

Gross profit	Rs.50,000
Expenses paid	Rs.20,000
Depreciation	Rs 3,000
Profit on sale of investment received	Rs.5,000

The opening and closing balance of current assets and current liabilities are as following:

	Opening balance (Rs.)	Closing balance (Rs.)
Debtors	10,000	15,000
Inventory	14,000	12,000
Trade Creditors	8,000	6,000
Outstanding Expenses	1,000	1,200

5. Following is the Profit and Loss Account of Electro Matrix Ltd for the year ended 31st December, 1995.

	Rs.		Rs.
To opening stock	1,00,000	By sales	5,60,000
To purchases	3,50,000	By closing stock	1,00,000
To wages	9,000		
To Gross Profit c/d	2,01,000		
	6,60,000		6,60,000
To Administrative expenses	20,000	By Gross profit	2,01,000
To selling & distribution	89,000	By Interest on investments (outside business)	10,000
To Non operating	30,000	By Profit on sale of investments	8,000
expenses	89,000		
To Net profit	80,000		
	2,19,000		2,19,000

You are required to calculate a) Gross profit ratio b) Net profit ratio
c) operating ratio d) operating profit ratio
e) administration expenses ratio.

6. The following particulars are extracted from the records of a company.

	Product A	Product B
Sales (per unit)	Rs. 100	Rs. 120
Consumption of material	2 kg	3 kg
Material cost	Rs. 10	Rs. 15
Direct wages cost	15	10
Direct expenses	5	6
Machine hours used	3	2
Overhead expenses:		
Fixed	5	10
Variable	15	20

Direct wage per hour is Rs. 5. Comment on the profitability of each product (both use the same raw material) when:

(i) total sales potential in units is limited.
(ii) production capacity (in terms of machine hours) is the limiting factor.
(iii) material is in short supply.
(iv) sales potential in value is limited.

ANSWER ANY TWO QUESTIONS: (2 x 15 = 30)

7. Manali Corporation Ltd., has prepared the following budget estimates for the year 2005-2006:

Sales units	- 15,000
Fixed expenses	- Rs.34,000
Sales Value	- Rs.1,50,000
Variable Costs	- Rs.6 per unit.

You are required to:

(i) Find P/V ratio, BEP and Margin of safety
(ii) Calculate the revised P/V Ratio, BEP and Margin of safety in each of the following cases.
  (a) Decrease of 10% in selling price
  (b) Increase of 10% in Variable costs
  (c) Decrease of 5% in Fixed costs.

8. With the help of the following ratios regarding Indu films, draw the Balance Sheet of the Company for the year 2009.

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs. 3,00,000
Stock turnover ratio(cost of sales/closing stock)	6 times
Gross profit ratio	20%
Debt collection period	2 months
Fixed assets turnover ratio (on cost of sales)	2 times
Fixed assets to shareholders net worth	0.8 times
Reserve and Surplus to Capital	0.50

9. From the following balances sheets and additional information given, you are required to prepare funds flow statement for year ended 2011

Liabilities	2010	2011	Assets	2010	2011
Share capita	1,00,000	1,50,000	Land & building	1,00,000	95,000
General reserve	30,000	30,000	Plant & Machinery	80,000	90,000
Profit and Loss a/c	20,000	22,000	Stocks	70,000	1,10,000
6% debentures	80,000	80,000	Debtors	20,000	25,000
Creditors	65,000	58,000	Investments	----	10,000
Provision for tax	5,000	10,000	Goodwill	20,000	10,000
			Cash	10,000	10,000
	3,00,000	3,50,000		3,00,000	3,50,000

Additional informations:

i) During 2009, dividends of Rs.15,000 were paid.

ii) Depreciation written off plant and machinery amounted to Rs.6,000 and no depreciation has been charged on land and buildings.

iii) Provision for tax made during the year Rs.5,000

iv) Profit on sale of Machinery Rs.2,000

10. Sakshi Ltd. furnishes its balance sheet for the years 2008 and 2009, prepare a comparative balance sheet and calculate the following ratios:
    a. Current ratio
    b. Quick ratio
    c. Debt equity ratio

Liabilities	2008 Rs.	2009 Rs.	Assets	2008 Rs.	2009 Rs.
Equity share capital	80,000	80,000	Land & building	80,000	74,000
8% Debentures	80,000	90,000	Plant & machinery	60,000	54,000
Retained earning	40,000	49,000	Furniture	20,000	28,000
Sundry creditors	50,000	70,000	Inventory	40,000	60,000
Bills payable	10,000	15,000	Debtors	40,000	80,000
			Cash	20,000	8,000
	2,60,000	3,04,000		2,60,000	3,04,000