

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.  
(For candidates admitted during the academic year 2008-2009 & thereafter)

SUBJECT CODE : CM/AC/TF34  
B.A. DEGREE EXAMINATION NOVEMBER 2011  
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

ANSWER ALL QUESTIONS: (30 x 1 = 30)

I Fill in the blanks (5x1=5)

1. Acid Test Ratio is also termed as \_\_\_\_\_ ratio.
2. Operating Ratio = \_\_\_\_\_.
3. An increase in current Asset \_\_\_\_\_ working capital.
4. Tax paid is \_\_\_\_\_ of funds.
5. Inventory is part of \_\_\_\_\_.

II Choose the correct answer. (15x1=15)

6. Debt equity ratio is a  
(a) Liquidity ratio (b) Solvency ratio (c) Profitability ratio
7. Long Term Solvency is indicated by  
(a) Current ratio (b) Net Profit ratio (c) Debt-Equity ratio
8. Observing changes in the financial variables across the years is  
(a) Vertical analysis (b) Horizontal analysis (c) Inter-firm comparison
9. Increase in the fixed asset due to purchase is  
(a) Source of funds (b) Use of funds (c) None
10. Sale of investment indicates  
(a) Source of funds (b) Application of funds (c) Change in current assets
11. Cash from operation is equal to  
(a) Net Profit + increase in outstanding expenses  
(b) Net Profit + increase in debtors  
(c) Net Profit + increase in stock
12. Increase in the amount of creditors results in  
(a) increase in cash (b) decrease in cash (c) No change in cash

13. Fixed assets include  
 (a) Stock-in-trade (b) Furniture (c) Payments in advance
14. When fixed cost is Rs. 10,000 and P/V ratio is 50%, the break-even point will be:  
 (a) Rs. 20,000 (b) Rs. 40,000 (c) Rs. 50,000 (d) None of these
15. When profit-volume ratio is 40% and sales value Rs. 10,000, the variable cost will be  
 (a) Rs. 4,000 (b) Rs. 6,000 (c) Rs. 10,000 (d) None of these
16. When margin of safety is 20% and P/V ratio is 60%, the profit will be:  
 (a) 30% (b) 33 1/3% (c) 12% (d) None of these
17. When sales are Rs. 2 lakhs, fixed cost Rs. 30,000, P/V ratio 40% the amount of profit will be:  
 (a) Rs. 50,000 (b) Rs. 80,000 (c) 12,000
18. The statistical yardstick that provides a measure of the relationship between two accounting figures is  
 (a) current ratio (b) accounting ratio (c) input-output ratio
19. The term current asset does not include  
 (a) payments in advance (b) bills receivable (c) bank overdraft.
20. Contribution margin is also known as  
 (a) marginal income (b) gross profit (c) net income

**III. State whether each of the following statements is true or false (10x 1=10)**

21. Furniture is part of liquid assets.
22. Trend Analysis is a method of analysis.
23. The term financial analysis includes both analysis and interpretation.
24. Flow of funds mean increase or decrease of working capital.
25. Reduction of Long term debt is a outflow of cash.
26. Increase in creditors is a source of cash.
27. Goodwill is an Intangible asset.
28. Profit-volume ratio indicates the relationship between profit and sales.
29. Funds flow analysis shows the position of business as on the closing date of the business period.
30. Funds flow statement and Cash flow statement are one and the same.



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TIME : 2 ½ HOURS MAX. MARKS : 70

SECTION – B

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

1. The following is the Trading and profit and loss Account of Wye Ltd, for the year ended 31<sup>st</sup> December, 2008

	Rs		Rs
To Stock	70,000	By Sales	5,00,000
To Purchases	3,00,000	By Stock	90,000
To wages	20,000		
To Gross profit	2,00,000		
	<hr/>		<hr/>
	5,90,000		5,90,000
To Administrative Expenses	1,02,000	By Gross profit b/d	2,00,000
To selling & distribution Exp.	20,000	By Dividend Received	5,000
To Interest	3,000		
To Net profit	80,000		
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	2,05,000		2,05,000

You are required to calculate: (a) Gross profit ratio (b) Net profit ratio  
(c) Operating profit ratio.

2. From the following Figures, Calculate the Debt-equity ratio:

Preference share capital Rs1,00,000 ,Equity share Capital Rs 2,00,000  
Reserves Rs.50,000, Profit & loss a/c Rs.50,000, 12% Debentures Rs.2,00,000  
Creditors Rs.50,000, Bills payable Rs.20,000, Provision for tax Rs.30,000.

3. The following is the Comparative Balance Sheet of A Ltd. Prepare a Funds Flow Statement.

## BALANCE SHEET

Liabilities	31 <sup>st</sup> Dec.		Assets	31 <sup>st</sup> Dec.	
	2006 Rs.	2007 Rs.		2006 Rs.	2007 Rs.
Share Capital	8,000	8,500	Land	5,000	5,000
Profit & Loss A/c	1,450	2,450	Plant	2,400	3,400
Creditors	900	500	Debtors	1,650	1,950
Mortgage loan		500	Stock	900	700
	<u>10,350</u>	<u>11,950</u>	Cash at Bank	<u>400</u>	<u>900</u>
				<u>10,350</u>	<u>11,950</u>

4. A factory produces product X. The selling price is Rs. 120 and variable cost is Rs. 80 per unit. The fixed expenses of the factory amounted to Rs. 8,000 per month. Calculate:  
(i) the estimated profit in a month wherein 240 units are produced, (ii) the sales to be made to earn a profit of Rs. 7,000 per month. (iii) P/V Ratio. (iv) Break – Even point.
5. From the following Balance sheet, you are required to prepare a cash flow Statement :

Liabilities	1999 Rs.	2000 Rs.	Assets	1999 Rs.	2000 Rs.
Share capital	2,00,000	2,50,000	Cash	30,000	47,000
Trade Creditors	70,000	45,000	Debtors	1,20,000	1,15,000
Profit & Loss A/C	10,000	23,000	Stock	80,000	90,000
			Land	50,000	66,000
	<u>2,80,000</u>	<u>3,18,000</u>		<u>2,80,000</u>	<u>3,18,000</u>

6. Following is the balance-sheet of X CO as on 31-12- 08

Liabilities	Rs.	Assets	Rs.
Capital	5,58,000	Fixed assets	6,35,000
Reserves	1,00,000	Cash	27,000
Debentures	2,25,000	Debtors	2,20,000
Creditors	42,000	Stock	1,21,000
Outstanding exp.	78,000		
	<u>10,03,000</u>		<u>10,03,000</u>

From the above data, prepare a Common Size Balance sheet.

7. From the following prepare comparative income statement and compute the Gross Profit & Net Profit ratio.

	1995	1996
	Rs.	Rs.
Net sales	7,85,000	9,00,000
Cost of goods sold	4,50,000	5,00,000
Administrative expenses	70,000	72,000
Selling expenses	80,000	90,000
Interest paid	25,000	30,000
Income tax paid	70,000	80,000

**SECTION - C**

**(2 x 15 = 30)**

**ANSWER ANY TWO QUESTIONS:**

8. From the following information, compute the profitability of the products manufactured.

	Product A	Product B
	Rs.	Rs.
Selling price	100	150
Material cost	10	24
Material consumed	5 kgs.	3 kgs.
Labour cost	24	25
Labour hours	8 hrs.	5 hrs.
Variable overhead	10	14
Fixed overhead	10,000	

Ascertain the profitability of the product.

- When -
- Sales value is the limiting factor.
  - Sales in units is the limiting factor.
  - When material is the limiting factor.
  - Labour hours is the limiting factor.
  - Find out the profitable product with when the raw material available is 15000 kgs. & the maximum productive of the product is 3000 units.

9. You are given the following figures:

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs. 3,00,000
Fixed assets turnover ratio(on cost of sales)	2 times
Average debt collection period	2 months
Stock turnover ratio (cost of sales/closing stock)	6 times
Gross profit ratio	20%
Fixed assets/shareholders net worth	0.80
Reserve and surplus/capital	0.50

Draw up the balance sheet of the company

10. Blue Star Ltd. presents to you the following balance sheets and profit and loss account

Blue Star Ltd.

Balance Sheet as at

Liabilities	31.3.2000 Rs.		31.3.2001 Rs.
Equity Share Capital	25,00,000		25,00,000
Profit and Loss account	20,75,000		23,65,000
14% Debentures	15,00,000		12,50,000
Sundry creditors	2,76,250		3,26,750
Expenses outstanding	54,500		68,500
	<u>64,05,750</u>		<u>65,10,250</u>

Assets	31.3.2000 Rs.		31.3.2001 Rs.
Fixed assets	40,00,000		40,50,000
Investments	6,25,000		2,50,000
Stock	10,33,250		12,67,750
Sundry debtors	4,00,000		4,50,000
Cash at bank	3,35,500		4,83,500
Goodwill	12,000		9,000
	<u>64,05,750</u>		<u>65,10,250</u>

You are required to prepare cash flow statement for the year ended 31<sup>st</sup> March 2001.

11. Prepare a Fund Flow Statement from the following data:

Liabilities	2000	2001	Assets	2000	2001
Equity Capital	10,000	10,600	Cash	4,000	5,000
Profit & Loss a/c	5,600	7,400	Debtors	4,800	5,400
Long Term Debt	2,800	2,600	Bills receivable	1,600	1,400
Creditors	4,000	4,200	Stock	6,200	6,400
Proposed Dividend	5,000	4,000	Fixed Assets	5,800	6,600
Provision For Tax	4,000	3,000	Good Will	9,000	7,000
	<u>31,400</u>	<u>31,800</u>		<u>31,400</u>	<u>31,800</u>

Additional information:

- Fixed assets(original cost Rs800, written down value Rs500) were sold for Rs400
- Depreciation for the year 2001 amounted to Rs1,100 and duly debited to P&L a/c
- Interim dividend paid in 2001 Rs600
- Tax paid in 2001 Rs4,000.

