

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004-05 & thereafter)

SUBJECT CODE : **CM/AC/TF33**

B.A. DEGREE EXAMINATION NOVEMBER 2007
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 CHOOSE THE CORRECT ANSWER:

1. Trend analysis is significant for
 - a) Forecasting and budgeting
 - b) Profit planning
 - c) Capital rationing
 - d) Cost ascertaining
2. Debt equity ratio is a
 - a) Profitability ratio
 - b) Turnover ratio
 - c) Short-term solvency ratio
 - d) Long-term solvency ratio
3. Which of the following will result in application of funds?
 - a) Sale of plant
 - b) Issue of share capital
 - c) Purchase of land
 - d) Payment to creditors
4. Dividend paid is
 - a) Cash flow from financing activity
 - b) Cash flow from operating activity
 - c) Cash flow from investing activity
 - d) None of the above
5. Increase in the amount of creditors results in
 - a) Increase in cash
 - b) Decrease in cash
 - c) No change in cash
 - d) Source of fund
6. Margin of safety is the difference between
 - a) Planned sales and planned profit
 - b) Actual sales and break even sales
 - c) Planned sales and actual sales
 - d) Sales and cost

7. When – P/V ratio – 50%, Variable cost – Rs.25, Selling price is
a) Rs.50 b) Rs.40 c) Rs.30 d) Rs.55
8. Current assets include
a) land b) Furniture
c) Machinery d) Sundry debtors
9. Solvency ratios indicate
a) Credit worthiness b) Activity
c) Profitability d) Solvency
10. Financial statements are
a) Anticipated facts b) Recorded facts
c) Estimates of facts d) Analysis of facts

II FILL IN THE BLANKS:

11. Profit and Loss account is also called _____ statement.
12. The Common size statements are also known as _____.
13. Net worth refers to owners _____.
14. Working capital is the difference between _____ and _____.
15. The term fund means _____.
16. Purchase of furniture will _____ working capital.
17. Purchase of fixed assets is _____ activity.
18. Marginal cost does not include _____.
19. At Break-even point _____ is equal to fixed cost.
20. A higher P/V ratio reflects _____ profitability.

III STATE WHETHER TRUE OR FALSE:

21. Break-even analysis is the same as Cost-Volume-Profit analysis.
22. Contribution per unit remains unchanged regardless of the level of activity.
23. Marginal costing technique is used for controlling cost.
24. Reduction in stock is a source of cash.

25. Redemption of debentures is an investing activity.
26. A funds flow statement is a substitute for an income statement.
27. Purchase of stock in trade is an application of funds.
28. Quick ratio is also known as current ration.
29. Analysis includes interpretation.
30. Trend percentages are calculated for all the items in the financial statements.



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

SECTION – B

ANSWER ANY FOUR QUESTIONS

4x10=40

1. Calculate Trend Percentages from the following figures of Magesh Ltd. Taking 1994 as the base :

Year	Sales Rs.	Profit before tax Rs.
1994	1,80,000	32,000
1995	2,30,000	43,500
1996	2,65,000	45,700
1997	3,02,000	52,700
1998	3,76,000	67,300

2. From the following you are required to compute : Debt-equity ratio, Fixed assets ratio, Current ratio, Liquidity ratio and Proprietary ratio :

Balance Sheet as on 31.12.2004			
	Rs.		Rs.
Share capital	5,00,000	Fixed assets	6,00,000
Fixed liabilities	2,50,000	Liquid assets	3,00,000
Current liabilities	2,50,000	tock-in trade`	1,00,000
	<u>10,00,000</u>		<u>10,00,000</u>

3. From the following Balance sheets of Shan Ltd. Prepare a schedule of changes in working capital and calculate funds from operation :

Liabilities	31.12.2003	31.12.2004
Share capital	3,00,000	4,00,000
Share premium	-	10,000
General reserve	1,00,000	1,20,000
Profit and loss account	40,000	70,000
Debentures	2,00,000	1,50,000
Bills payable	50,000	40,000
Trade creditors	70,000	80,000

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Outstanding expenses	4,000	2,000
	<u>7,64,000</u>	<u>8,72,000</u>
Assets		
Furniture at cost	1,00,000	1,20,000
Less Depreciation	<u>56,000</u>	<u>68,000</u>
	44,000	52,000
Goodwill	20,000	16,000
Long term investments	80,000	1,04,000
Stock	5,08,000	5,78,000
Debtors	62,000	56,000
Cash at bank	44,000	62,000
Discount on debentures	6,000	4,000
	<u>7,64,000</u>	<u>8,72,000</u>

4. Steady Ltd. made a profit of rs.4,00,000 after considering the following items :
- Depreciation on fixed assets Rs.15,000.
 - Writing off of preliminary expenses Rs.6,000.
 - Loss on sale of furniture Rs.900.
 - Provision for taxation rs.75,000.
 - Transfer to general reserve Rs.5,000
 - Profit on sale of building Rs.10,000

The following additional information is also supplied to you :

	31.3.2004	31.3.2005
	Rs.	Rs.
Sundry debtors	15,000	20,000
Sundry creditors	12,000	17,000
Bills receivable	14,000	17,500
Bills payable	9,500	6,000
Outstanding expenses	3,000	2,000
Prepaid expenses	100	200

You are required to ascertain cash from operating activity.

5. You are given the following information:
- | | |
|------------------------|-------------|
| Sales (10,000 units) | Rs.2,00,000 |
| Variable cost per unit | Rs.12 |
| Fixed cost | Rs.40,000. |
- It is proposed to reduce the selling price by 10%
- Calculate present and future P / V ratio
 - Calculate present and future break-even point
 - Compute the sales volume to maintain the profit at the present level.
6. Write short notes on :
- Limiting factor
 - Cash flow from financing activity
 - Application of Fund
 - Common size statement
 - Operating ratio

SECTION – C

ANSWER ANY TWO QUESTIONS

(2 x 15 = 30)

7. From the following information, suggest the best sales mix :

	Product X Per unit – Rs.	Product Y Per unit – Rs.
Selling price	25	20
Direct materials	8	6
Direct wages	6	4
Variables overheads	150% of direct wages.	
Fixed overhead	Rs.750	

Sales Mix :

- a. 250 units of X and 250 units of Y
 b. 400 units of X and 100 units of Y
 c. 400 units of Y only.
 d. 150 units of X and 350 units of Y.
8. from the following Balance sheets of Krish Ltd. for the years 2004 and 2005, prepare a cash flow statement.

Liabilities	31.12.2004	31.12.2005
	Rs.	Rs.
Equity shares of Rs.100 each	4,50,000	6,00,000
Share premium	-	16,000
Profits and loss account	60,000	60,000
Profit for the year	-	50,000
8% debentures	2,50,000	2,00,000
Sundry creditors	2,20,000	1,90,000
Provision for taxation	40,000	50,000
Proposed dividend	45,000	60,000
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	10,65,000	12,26,000
	<hr/>	<hr/>
Assets		
	Rs.	Rs.
Plant and Machinery	6,00,000	7,25,000
Less Accumulated depn.	1,20,000	1,45,000
	<hr/>	<hr/>
	4,80,000	5,80,000
Land	1,83,000	1,98,000
Loan	25,000	-
Investment	30,000	40,000
Inventory	1,60,000	1,48,000
Debtors	1,20,000	1,62,000
Bank	67,000	98,000
	<hr/>	<hr/>
	10,65,000	12,26,000
	<hr/>	<hr/>

During the year, plant costing Rs.40,000 was sold for Rs.15,000. Accumulated depreciation on plant was Rs.20,000. Loss on sale of plant as charged to profit and loss account. Tax paid during the year was Rs.55,000.

9. The comparative balance sheets of National Industries Ltd. for 2004 and 2005 are given below :

Liabilities	31.12.2004	31.12.2005
	Rs.	Rs.
Paid up capital	3,00,000	3,40,000
Reserves and surplus	1,20,600	1,43,000
Loan	20,000	19,000
Creditors	42,400	45,200
Outstanding expenses	2,600	1,000
Provision for depreciation	25,600	34,000
Provision for depreciation	11,000	12,400
	5,22,200	5,95,200
Assets		
	Rs.	Rs.
Bank	45,600	48,800
Debtors	9,800	16,000
Stock	42,000	65,200
Investments	74,500	45,100
Plant and machinery	1,83,400	2,68,000
Land and buildings	1,50,000	1,40,000
Goodwill	16,900	12,100
	5,22,200	5,95,200

Adjustments

- a. Land which had cost Rs.10,000 was sold for Rs.25,000.
 - b. Investments were sold at a loss of Rs.3,000.
 - c. An old machinery costing Rs.10,000 (accumulated depreciation Rs.8,000) was sold for Rs.6,000.
 - d. A dividend of Rs.25,000 was paid.
10. From the following financial statements of Exim Ltd. Calculate Current ratio, Liquid ratio, Gross profit ratio, Operating profit ratio, Net profit to capital employed, Fixed assets turnover ratio, Debtors turnover ratio.

Income statement for the year ending 31.12.2004

Sales		
Cash	64,000	
Credit	6,84,000	
	7,48,000	
Less Cost of sales		5,96,000
Gross profit		1,52,000

Les Expenses :		
Warehouse and transport	48,000	
Administration	38,000	
Selling	28,000	
Debenture interest	4,000	
	<hr/>	1,18,000
		<hr/>
		34,000
		<hr/>

Balance Sheet as at 31.12.2004

	Rs.		Rs.
Share capital	1,50,000	Fixed assets	80,000
Reserves	60,000	Stock	1,88,000
Profit & Loss Account	24,000	Debtors	1,64,000
Debentures	60,000	Cash	14,000
Current liabilities	1,52,000		
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	4,46,000		4,46,000
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