STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2013-2014 and thereafter)

SUBJECT CODE: 11CM/AC/TF34

B.A. DEGREE EXAMINATION NOVEMBER 2015
BRANCH III - ECONOMICS
THIRD SEMESTER

COURSE : ALLIED – CORE
PAPER : TOOLS FOR FINANCIAL STATEMENT ANALYSIS
TIME : 3 HOURS MAX. MARKS: 100

SECTION – A

ANSWER ALL QUESTIONS (10 x 2 = 20 Marks)

1. What is a Balance Sheet of a Business enterprise?
2. Explain any two ratios to measure the liquidity of a Company.
3. Explain any two sources of funds.
4. Differentiate between variable cost and fixed cost.
5. What is Break Even Point? How is it ascertained?
6. Current ratio is 2.6:1 and current liabilities are Rs.40,000. What is the value of current assets?
7. What conclusions would you draw from the following ratios with regard to the financial position of a firm?

	2013	2014
(a) Ratio of gross profit to sales	1:4.5	1:3.5
(b) Ratio of net profit to sales	1:6.5	1:8.5

8. Sales Rs.25,00,000; PV ratio 40%; Fixed cost Rs.5,00,000.
   Calculate Profit and Margin of Safety.

9. Extracts from Balance Sheets

	as on 30-6-2014 Rs.	as on 30-6-2015 Rs.
Equity Share Capital	2,00,000	3,00,000
9% Debentures	1,50,000	1,00,000

   Find out sources/application of funds.

10. Choose the correct answer for the following:-
    i) Trend analysis is significant for a) Profit planning, (b) Working Capital management c) Forecasting and Budgeting
    ii) Long-term slovenly is indicated by a) current ratio b) debt-equity ratio c) net- profit ratio
    iii) Increase in the amount of bills payable results in a) increase in cash b) decrease in cash c) no change in cash.

SECTION – B

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

11. Prepare a common-size income statement from the following information:

Income statement for the year ending 31.3.2013.

	Rs.
Gross Sales	7,25,000
Less sales returns	25,000
Net sales	7,00,000
Cost of sales	5,95,000
Gross profit	1,05,000
Operating expenses:	
Selling and distribution expenses	23,000
Administrative expenses	12,700
Total Expenses	35,700
Operating income	69,300
Other incomes	1,200
	70,500
Non-operating expenses	1,750
Net profit	68,750

12. Following items appear in the Balance Sheet of a Company as on 31st December 2014:

Current Assets:	Rs.	
Stock-in-trade	1,00,000	
Bank Balance	50,000	
Sundry Debtors	2,50,000	
Advances	20,000	
		Rs. 4,20,000
Current Liabilities:		
Sundry Creditors	1,75,000	
Advance received against orders	35,000	
		Rs. 2,10,000

(a) Calculate the current ratio.

(b) State whether each of the following transactions would affect the current ratio favourably or otherwise. Each transaction is to be treated independently.

(i) Paid Rs. 30,000 to a creditor

(ii) Received Rs. 20,000 from a customer

(iii) Paid cheque of Rs. 25,000 for the purchase of machinery.

13. Calculate from the information given below:

a) Gross profit ratio
b) Operating ratio
c) Operating profit ratio
d) Net profit ratio

Sales – Rs.5,00,000
Gross profit – 20% on sales
Cost of goods sold – Rs.50,000
Administrative and selling expenses – Rs.25,000
Non operating expenses – Rs.75,000.

14. The Balance Sheets of X Ltd. as on 1-1-11 and 31-12-11 are given below:

Liabilities	1-1-11 Rs.	31-12-11 Rs.	Assets	1-1-11 Rs.	31-12-11 Rs.
Share Capital	1,25,000	1,53,000	Cash	10,000	47,000
Bank Loan	40,000	50,000	Debtors	30,000	50,000
Loan from Financial Institution	25,000	----	Stock	35,000	25,000
			Machinery	80,000	55,000
Creditors	40,000	44,000	Land	40,000	50,000
Profit & Loss A/c	1,00,000	1,20,000	Buildings	35,000	60,000
			Goodwill	1,00,000	80,000
	3,30,000	3,67,000		3,30,000	3,67,000

Other information:
(i) Dividend paid Rs. 15,000 during the year,
(ii) Rs. 20,000 worth of machinery was sold at book value.
With the help of the above information, prepare a 'Cash Flow Statement'.

15. From the following balance sheet and profit and loss account. Calculate cash from Operating Activities

	2012 Rs.	2013 Rs.		2012 Rs.	2013 Rs.
Share capital	1,40,000	1,40,000	Assets	1,00,000	1,82,000
6%Debentures	-	80,000	Inventories	30,000	80,000
Retained Earnings	14,000	20,000	B/R	10,000	40,000
Bills payable	28,000	78,000	Prepaid expenses	4,000	8,000
Outstanding expenses	2,000	6,000	Cash	40,000	14,000
	1,84,000	3,24,000		1,84,000	3,24,000

<u>PROFIT & LOSS A/c – 2013</u>

	Rs.		Rs.
To opening stock	1,96,000	By sales	2,00,000
To purchases	30,000	By closing stock	80,000
To gross profit	54,000		
	2,80,000		2,80,000
To general expenses	30,000	By gross profit	54,000
To depreciation	16,000		
To dividend	2,000		
To net profit	6,000		
	54,000		54,000

16. 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) material is in short supply.
(iii) sales potential in value is limited.

17. The sales turnover and profit during two years were as follows:-

YEAR	SALES (Rs.)	PROFIT(Rs.)
2014	14,00,000	1,50,000
2015	16,00,000	2,00,000

Calculate a) P/V ratio b) Break – even point c) Sales required to earn a profit of Rs.4,00,000 d) Fixed expenses e) Profit when sales are Rs.12,00,000.

SECTION - C

ANSWER ANY TWO QUESTIONS: (2 x 20 = 40 Marks)

18. The Balance Sheets of a company are given as under. Explain the significance of changes in assets and liabilities by preparing comparative balance sheet:

	31/03/2011	31/03/2012
	Rs.	Rs.
Equity Share Capital	5,00,000	10,00,000
Preference Share Capital	1,00,000	2,00,000
General Reserves	1,00,000	2,50,000
Accounts Payable	1,00,000	2,00,000
Outstanding Expenses	50,000	50,000
P & L Account	2,00,000	3,00,000
	10,50,000	20,00,000
Fixed Assets	4,00,000	10,00,000
Investments	3,00,000	1,00,000
Receivables	2,00,000	4,00,000
Inventories	1,00,000	4,00,000
Cash	50,000	1,00,000
	10,50,000	20,00,000

19. From the following balance sheets of S Ltd., prepare a statement of sources and application of funds and schedule of changes in working capital for 2014:

	2013	2014		2013	2014
	(Rs. in thousands)			(Rs. in thousands)	
Bills payable	50	75	Cash	100	140
S. Creditors	150	200	Debtors	200	300
Tax payable	100	150	Stock	200	300
14% Debentures	100	150	Land	100	100
16% preference capital	300	300	Buildings	300	270
Equity capital	400	400	Plant	300	270
Reserves	200	245	Furniture	100	140
	1,300	1,520		1,300	1,520

20. The balance sheet of a company as on 31.12.2013 is as follows:

LIABILITIES	Rs	ASSETS	Rs
Equity capital	100000	Buildings	75000
Reserve	50000	Machinery	80000
Profit and Loss a/c	20000	Stock	30000
Debentures	50000	Marketable Securities	20000
Creditors	30000	Accounts receivable	40000
Bills payable	10000	Cash	20000
Bank O D	5000		
	265000		265000

Calculate
1) Current Ratio
2) Liquid Ratio
3) Debt – Equity Ratio
4) Fixed Assets Ratio

21. The following production/sales mix is capable of achievement in a factory:
(a) 2000 units of product A and 2000 units of Product C
(b) 4000 units of Product B
(c) 1,000 units of Product A, 2000 units of Product B and 1600 units of Product C
Cost per unit is as follows:

	A	B	C
Direct Material	Rs.20	Rs.16	Rs.40
Direct wages	Rs.8	Rs.10	Rs.20

Fixed cost is Rs.20,000 and variable overheads per unit of A, B and C are Rs.2,Rs.4 and Rs.8 respectively. Selling prices of A , B and C are Rs.36, Rs.40 and Rs.100 per unit. Determine the marginal contribution per unit of A ,B and C and the profits resulting from the product mixes.

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