

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 2010
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)

1. Fill in the blanks :

- Cash flow analysis is based on _____ concept of funds.
- Cash receipts from sale of investments is _____ activity.
- Fund flow statement shows changes in working capital between _____.
- Increase in current liability results in _____ in working capital.
- At breakeven point, total cost is equal to _____.
- Fixed cost is reduced from contribution to ascertain _____.
- Net worth refers to owners' _____.
- Operating ratio is a _____ Ratio
- Trend analysis is significant for _____.
- In the common size income statement _____ is taken as the basis.

2. State if the following statements are true or false :

- Cash flow statement includes movements of cash and it ignores bank transactions.
- Redemption of debentures is an Investing activity.
- Margin of safety reveals the profit position of a firm.
- Difference between sales and fixed cost is called contribution.
- Fund is the total capital employed in the business.
- A source of fund always increases cash position.
- Issue of bonus shares is a source of fund.
- An ideal current ratio is 1:2.
- Gross profit ratio indicates the relationship between gross profit and owners' funds
- Financial statement analysis is carried out as per government regulations.

3. Choose the correct answer :

- Horizontal analysis is done by analyzing :
 - Financial statements of a particular year
 - Half yearly statement
 - Financial statements of several years.
 - None of the above.

- b. Earnings per share is a
 - 1. Profitability ratio
 - 2. Turnover ratio
 - 3. Liquidity ratio
 - 4. Capital structure ratio
- c. Solvency ratios indicate :
 - 1. Profitability
 - 2. Activity
 - 3. Credit worthiness
 - 4. Efficiency
- d. Funds from operation is :
 - 1. Gross profit
 - 2. Net profit
 - 3. Operating profit
 - 4. Internal source of fund.
- e. Cash from operating activities include :
 - 1. Cash from business activities
 - 2. Sale of fixed assets
 - 3. Cash from business activities and changes in working capital
 - 4. Borrowing from outside sources
- f. Dividend paid , under AS-3 ,is
 - 1. Cash flow from financing activity
 - 2. Cash flow from operating activity
 - 3. Cash flow from investing activity
 - 4. Cash flow from current operations
- g. Marginal cost is :
 - 1. Prime cost
 - 2. Variable cost
 - 3. Works cost
 - 4. Cost of production
- h. A key factor is :
 - 1. Budget factor
 - 2. Cost factor
 - 3. Limiting factor
 - 4. Profit factor
- i. P/V Ratio is :
 - 1. Price volume ratio
 - 2. Contribution to sales ratio
 - 3. Total cost to sales ratio
 - 4. Price earnings ratio
- j. Angle of incidence is :
 - 1. Angle between sales and fixed cost
 - 2. Angle between sales and variable cost lines
 - 3. Angle between sales and total cost lines
 - 4. Angle between variable cost and total cost



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 2010
BRANCH III - ECONOMICS
THIRD SEMESTER

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

SECTION – B

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

1. The Balance sheet of B Ltd. and S Ltd. as on 31.3.2009 are as follows. Prepare a common size Balance sheet:

Liabilities	B ltd. Rs.	S Ltd.Rs.	Assets	B ltd. Rs.	S Ltd.Rs.
Share capital	50,00,000	25,000	Fixed assets	60,00,000	10,000
Reserves	5,00,000	20,000	Inventories	25,00,000	5,000
Term loans	20,00,000	-	Debtors	10,00,000	20,000
Current liabilities	25,00,000	5,000	Cash	5,00,000	15,000
	1,00,00,000	50,000		1,00,00,000	50,000

2. The following figures relate to the trading activities of a company for the year ended 31.12.2009 :

Particulars	Rs.	Particulars	Rs.
Sales	1,00,000	Salary of salesmen	1,800
Purchases	70,000	advertising	700
Closing stock	14,000	Travelling expenses	500
Sales returns	4,000	salaries	3,000
Dividend received	1,200	Rent	6,000
Profit on sale of fixed assets	600	Stationary	200
Loss on sale of shares	300	Depreciation	1,000
Opening stock	11,000		2,000
Provision for tax	7,000		

You are required to calculate :

- a. Gross profit ratio b. Operating profit ratio
c. operating ratio d. Net profit ratio.

3. The Following is the Comparative Balance sheet of A Ltd. Prepare a Funds Flow statement:

Liabilities	31.12.'08- Rs.	31.12.'09 - Rs.	Assets	31.12.'08 -Rs.	31.12.'09 -Rs.
Share capital	8,000	8,500	Land	5,000	5,000
Profit and loss account	1,450	2,450	Plant	2,400	3,400
Creditors	900	500	Debtors	1,650	1,950
Mortgage loan	-	500	Stock	900	700
			Cash at bank	400	900
	<u>10,350</u>	<u>11,950</u>		<u>10,350</u>	<u>11,950</u>

4. Ascertain cash from operations from the following Balance sheets :

Liabilities	31.12.'08 -Rs.	31.12.'09- Rs.	Assets	31.12.'08 -Rs.	31.12.'09- Rs.
Share capital	5,00,000	5,00,000	Buildings at cost	3,00,000	3,00,000
8% Debentures	2,00,000	2,00,000	Depreciation	(20,000)	(50,000)
General reserve	1,00,000	1,40,000	Machinery at cost	2,00,000	2,40,000
Profit and loss account	50,000	1,20,000	Depreciation	(30,000)	(55,000)
Creditors	40,000	70,000	Closing stock	1,40,000	2,60,000
Bills payable	30,000	20,000	Debtors	2,00,000	3,00,000
Outstanding expenses	10,000	12,000	Cash at bank	1,40,000	67,000
	<u>9,30,000</u>	<u>10,62,000</u>		<u>9,30,000</u>	<u>10,62,000</u>

5. From the following information relating to P Ltd., you are required to find out :

- P/V Ratio
- Breakeven point
- Profit
- Margin of safety
- Volume of sales to earn a profit of Rs.6,000.

Total fixed cost-Rs.4,500 ; Total variable cost- Rs.7,500 ; Total sales Rs.15,000.

6. From the following profit and loss account of G Ltd. , you are required to prepare a comparative statement and calculate Gross profit Ratio and Net profit Ratio :

	31.12.'08 - Rs.	31.12.'09 - Rs.		31.12.'08- Rs.	31.12.'09- Rs.
To cost of goods sold	600	750	By Net sales	800	1,000
To Administrative expenses	20	20			
To Selling expenses	30	40			
To Net Profit	<u>150</u>	<u>190</u>			
	<u>800</u>	<u>1,000</u>		<u>800</u>	<u>1,000</u>

7. From the following Balance sheets of Arvind Ltd., you are required to prepare a cash flow statement :

Liabilities	31.12.'08- Rs.	31.12.'09- Rs.	Assets	31.12.'08- Rs.	31.12.'09- Rs.
Share capital	4,00,000	5,00,000	Cash	60,000	94,000
Creditors	1,40,000	90,000	Debtors	2,40,000	2,30,000
Profit and loss account	20,000	46,000	Stock	1,60,000	1,80,000
			Land	1,00,000	1,32,000
	<u>5,60,000</u>	<u>6,36,000</u>		<u>5,60,000</u>	<u>6,36,000</u>

SECTION - C

(2 x 15 = 30)

ANSWER ANY 2 QUESTIONS:

8. The following ratios and other data relate to the financial statements of Joy Ltd. For the year ending 31.12.2009 :
- Current ratio 1.75
 Acid test ratio 1.27
 Working capital Rs.33,000
 Fixed assets to shareholders equity 0.625
 Inventory turnover (based on closing stock) 4 times
 Gross profit ratio 40%
 Earnings per share Re.0.50
 Debt collection period 73 days
 No. of shares issued 20,000
 Earnings for the year on share capital 25%
- You are required to draft the company's Balance sheet and Profit and loss account.

9. The following is the Comparative Balance sheet of Pradeep Ltd.

Liabilities	31.12.'08- Rs.	31.12.'09- Rs.	Assets	31.12.'08- Rs.	31.12.'09- Rs.
Share capital	1,80,000	2,00,000	Goodwill	24,000	20,000
Reserve fund	28,000	36,000	Buildings	80,000	72,000
Profit and loss account	39,000	24,000	Machinery	74,000	72,000
Creditors	16,000	10,800	Investments	20,000	22,000
Bank overdraft	12,400	2,600	Inventories	60,000	50,800
Provision for taxation	32,000	34,000	Debtors	40,000	44,400
Provision for doubtful debts	3,800	4,200	Cash	13,200	30,400
	<u>3,11,200</u>	<u>3,11,600</u>		<u>3,11,200</u>	<u>3,11,600</u>

Additional information:

- Depreciation charged on machinery Rs.10,000 and on buildings Rs.8,000.
- Investments sold during the year Rs.3,000.
- Rs.15,000 interim dividend paid during January 2009.
- Taxes paid during the year Rs.30,000.

Prepare a statement of changes in working capital and a funds flow statement.

10. From the following Balance sheets of Marks Ltd. , you are required to prepare a cash flow statement :

Liabilities	31.12.'08	31.12.'09	Assets	31.12.'08	31.12.'09
	-Rs.	- Rs.		- Rs.	- Rs.
Share capital	20,000	20,000	Goodwill	2,400	2,400
General reserve	2,800	3,600	Land	8,000	7,200
Profit and loss account	3,200	2,600	Building	7,400	7,200
Creditors	1,600	1,080	Investments	2,000	2,200
Outstanding expenses	240	160	Inventories	6,000	4,680
Provision for tax	3,200	3,600	Accounts receivable	4,000	4,440
Provision for Bad debts	80	120	Bank balance	1,320	3,040
	<u>31,120</u>	<u>31,160</u>		<u>31,120</u>	<u>31,160</u>

Additional information :

- A piece of land has been sold for Rs.800
 - Depreciation amounting to Rs.1,400 has been charged on buildings
 - Provision for taxation has been made for Rs.3,800 during the year.
11. Roxy Ltd. Produces two products X and Y. the following particulars are extracted from the records of the 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	Rs.15	Rs.10
Direct expenses	Rs.5	Rs.6
Machine hours used	3	2
Fixed overhead	Rs.5	Rs.10
Variable overhead	Rs.15	Rs.20

Direct wage per hour is Rs.5. comment on the profitability of each product when :

- Total sales potential in units is limited.
- Production capacity in terms of machine hours is the limiting factor.
- Material is in short supply.
- Sales potential in value is limited.
- Profitable sales mix, when the available material is 12000 kgs. & maximum production of product A & B is 3000 units.

▲▲▲▲▲▲▲▲▲▲