

**2023**

**M. Com.**  
**4<sup>th</sup> Semester Examination**  
**FINANCIAL STATEMENT ANALYSIS**  
**PAPER – COM 404A**

*Full Marks: 50**Time: 2 Hours*

*The figures in the right-hand margin indicate full marks.*  
*Candidates are required to give their answers in their own words as far as practicable.*

**UNIT – I**

- 1. Answer any two questions: 2 X 2**
- a) State two objectives of Financial Statements.
  - b) Calculate Cash Interval Ratio from the following;
    - i) Cash Rs. 5,00,000, Bank Rs. 4,00,000, Marketable securities Rs.2,50,000 and Account Receivables Rs. 3,50,000. (ii) Annual cash operating expenses of the firm 210, 00,000;
  - c) Point out two limitations of ratio analysis.
  - d) Why it is important to prepare cash flow statement?
- 2. Answer any two questions: 2 X 4**
- a) From the following available data calculate:
    - (i) Gross profit Ratio
    - (ii) Net profit Ratio and
    - (iii) Operating profit ratio:Net sales Rs. 3, 80,000, Gross Margin Rs. 1, 14,000;  
Administrative Expenses Rs. 11,000 and Selling and distribution Expenses Rs. 8,000.
  - b) Distinguish between cash flow statement and fund flow statement.
  - c) What is meant by credit terms? What are the expected effects of a increase in cash discount?
  - d) What procedure would you adopt to study the liquidity of a business firm?

**3. Answer any one question: 1 X 8**

a) PQRS Ltd. has a present annual sales turnover of Rs. 40, 00,000. Given that per unit sales price is Rs. 20, per unit variable costs are Rs. 12 and fixed costs Rs. 5, 00,000 p.a. The present credit period of 1 month is proposed to be extended to either 2 or 3 months whichever will be more profitable.

Additional information:

Credit period	1 Month	2 Month	3 month
Increase in sales by	-	10%	30%
Bad debt on sales	1%	2%	5%

Fixed costs will increase by Rs. 75,000 when sales will increase by 30%.

The Company requires a pre-tax return on investment of 20%

You are required to evaluate the profitability of the proposal and recommend the best credit period for the company.

b) The standard ratios for the industries and the ratios of Sun Trading Co. are given below. Indicate the strength and weakness of the firm.

Particulars	Industry Standard	Sun Trading Co.
Current Ratio	2.4	2.67
Debtors Turnover Ratio	8.0	10.0
Stock Turnover Ratio	9.8	3.33
Assets Turnover Ratio	2.0	1.43
Net Profit Ratio	3.3%	2.1%
Net Profit on Total Assets Ratio	6.6%	3.0%
Net Profit on Net Worth	10.7%	4.8%
Total Debts on Total Assets	63.5%	37.7%

**UNIT – II**

**4. Answer any two questions: 2 X 2**

- Define Corporate Social Reporting.
- What is IFRS (International Financial Reporting Standard)?
- Write two differences between economic cost-benefit analysis (ECBA) and social cost-benefit analysis (SCBA).
- What is Operating Segment?

**5. Answer any two questions: 2 X 4**

- Discuss Balanced Scorecard.
- Write in brief the need for segment reporting.
- Write down the objectives of International Accounting Standard Board.
- Write down the objectives of global reporting initiative (GRI).

**6. Answer any one question: 1 X 8**

a) i) Calculate the Market Value Added using the following information:

Total number of share issued 20,000,000,

Number of shares held as treasury stock 11, 00,000,

Current share price Rs. 35.5,

Total invested capital plus retained earnings Rs. 453,503,000

Cost of treasury stock Rs. 39,050,000

Assume that Market value of debt equals its book value.

ii) How is MVA different from EVA? (5+3)

b) State briefly the disclosures required to be made for Segment Reporting in accordance with Ind AS 108.

**(Internal Assessment: 10 marks)**