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6 SEM TDC FSA 2 (Sp)

2016

(May)

COMMERCE

(Speciality)

Course : 602



(Financial Statement Analysis)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) Fill in the blanks with appropriate word(s) :

1×5=5

(i) Comparative statement analysis is also known as _____ (vertical analysis / static analysis / horizontal analysis).

(ii) The _____ of a company has primary responsibility for the corporation's external financial reporting functions (management / members / board of directors).

(2)

- (iii) At present ASB of ICAI formulates the AS based on ____ (GAAP / IFRS / IAS).
- (iv) Ratio of net profit before interest and taxes to sales is ____ ratio (net profit / profit / operative profit).
- (v) The ICAI had constituted the Accounting Standard Board on ____ (1st April, 1976 / 21st April, 1977 / 20th April, 1970).

(b) State whether the following statements are True or False : 1×3=3

- (i) Analysis of financial statements ignores the issue of price level changes.
- (ii) Capital gearing is a term used to express the relationship between ordinary share capital and fixed interest bearing securities of a company.
- (iii) The IRDA was incorporated as statutory body in April 1999.

(3)

2. Write short notes on the following (any four) :

4×4=16

- (a) Common size statement
- (b) Trend analysis
- (c) Acid test ratio
- (d) Financial Accounting Standard Board (FASB)
- (e) Sustainability reporting

3. (a) Explain the concept of interpretation and criticism of Financial Statement. What are the significances of Financial Statement Analysis?

5+6=11

Or

(b) Critically examine the merits and demerits of various techniques used for interpreting Financial Statements. What are the limitations of such tools? 6+5=11

4. (a) Discuss ratio analysis as a tool and technique of financial management. State the ratios which may be very useful for studying efficiency of a manufacturing concern and also explain how these will be used.

6+6=12

Or

- (b) The following is the Balance Sheet of Jagjeevan Industries Ltd. as on 31st March, 2016 :

Particulars	Figures as at the end of current period (in ₹)
I Equity and Liabilities :	
Shareholders' Fund	
Equity Share Capital	22,50,000
Reserves and Surplus	9,00,000
Non-Current Liabilities :	
10% Debentures	7,50,000
Current Liabilities :	
Bank Overdraft	3,00,000
Sundry Creditors	18,00,000
	<u>60,00,000</u>
II Assets	
Non-Current Assets :	
Fixed Assets	24,75,000
Current Assets :	
Investments (short term)	2,40,000
Stock-in-Trade	13,65,000
Sundry Debtors	18,60,000
Cash	60,000
	<u>60,00,000</u>
Other Information :	
Sales—₹ 1,11,60,000	
Gross profit—₹ 11,16,000	

You are required to calculate the following ratios : 3×4=12

- (i) Debt-Equity Ratio
- (ii) Proprietary Ratio
- (iii) Debtors' Turnover Ratio
- (iv) Stock Turnover Ratio

5. (a) Write a note on Corporate Social Reporting. What are the essentials of a perfect corporate social responsibility report? 5+6=11

Or

- (b) Define Financial Reporting. What are the benefits derived from Financial Reporting? 4+7=11

6. (a) Discuss the important provisions need to be considered for financial reporting of Banking Companies and Insurance Companies. 6+5=11

Or

- (b) Discuss the guidelines of IRDA regarding disclosure of financial statements of Insurance Companies. Explain the RBI's guidelines on the Financial Reporting of NBFCs. 6+5=11

7. (a) "Accounting Standards aim to protect the users of financial reports in providing reliable and comparable accounting information." Explain how these Accounting Standards do help accountants and auditors. $6+5=11$

Or

- (b) Discuss the need of International Financial Reporting Standards (IFRS). What are the differences between International Financial Reporting Standards and Accounting Standards? $5+6=11$
