63/2 (SEM-1) MCO 101

2019

COMMERCE

Paper : 101

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

(New Course)

(Financial Statement Analysis)

1. Choose the correct option for the following : 1×4=4

(a) Comparative statement shows computation of financial data in

(i) absolute monetary value

(ii) increase or decrease in absolute value

(iii) proportionate changes by way of percentage

(iv) All of the above

(b) Quick ratio refers to

(i) rate at which cash is being spend

(ii) very short-term liquidity

(iii) rate at which cash is being received

(iv) speed at with which profits are made

(c) Reliability refers to which characteristic of an information system?

(i) Uncertainty is reduced

(ii) Information is free from bias

(iii) Timely

(iv) None of the above

(d) Intra-firm comparison of financial statement means

(i) comparison of financial statements of different financial periods of two firms

(ii) comparison of financial statement of the same period of two different firms

(iii) comparison of financial statement of different period of the same firm

(iv) None of the above

2. State whether the following statements are True or False : 1×4=4

(a) In trend analysis, base year refers to the year the financial data of which is used to compare the financial data of other years.

(b) IASB is responsible to set the Accounting Standard only in India.

(c) Flow of fund takes place when a transaction affects only current asset items.

(d) Ratio analysis helps to understand the relationship between the two interrelated items of the financial statement.

3. Fill in the blanks with appropriate word : 1×4=4

(a) Vertical analysis refers to the comparison of financial data of a company for the ____ year.

(b) Assets that can be easily converted into cash are known as ____ assets.

(c) Excess of current assets over current liabilities are known as ____ capital.

(d) Financial Report prepared at the end of the financial year is known as ____ Report.

4. Answer the following questions : 5×4=20

(a) What are the qualities of a good financial statement?

(b) Write a short note on conceptual framework of accounting.

(c) Differentiate between cash flow statement and funds flow statement.

(d) What are the advantages of trend analysis?

5. Answer any *four* of the following questions : 12×4=48

(a) Explain how accounting information system serves its users. What are the general steps to be followed while adopting or implementing an accounting information system in an organization? 6+6=12

(b) What is funds flow statement? Briefly explain under what circumstances the flow of fund takes place in a firm. What are the limitations of funds flow statement? 2+5+5=12

(c) Explain why the analysis of financial statement can help management for better understanding of the financial health of a firm. Explain the various methods for analysis of financial statement of a company. 6+6=12

(d) What are the problems that the Accounting Standard Setting Body has to face while setting the Accounting Standards? Describe some of the reasons for the slow progress made by the Accounting Standard Board in India. 6+6=12

(e) Following informations are drawn from the Balance Sheet of *ABC* Ltd. as on 31st March, 2019 :

Current Ratio—2

Liquid Ratio—1·5

Stock Turnover Ratio—12

Gross Profit Ratio—20%

Debtors Collection Period—1·5 months

Reserves and Surplus to Capital—0·5

Turnover to Fixed Assets—1·2

Capital-gearing Ratio—0·5

Net Working Capital is ₹ 2,00,000

Net Sale of the Year is ₹ 15,00,000

Rewrite the Balance Sheet of *ABC* Ltd. with the help of the given information. 12

(f) Following are the Profit & Loss A/c and Balance Sheets of *XYZ* Ltd. of the year ended 2017 and 2018 :

Particulars	*2017*	*2018*
	₹	₹
Revenue from operation	1,40,000	1,50,000
Direct expenses	70,000	75,000
Administrative expenses	24,631	25,500
Selling and distribution expenses	30,000	36,136
Tax @ 25·17%	3,869	3,364
Net Profit	11,500	10,000

Balance Sheets of XYZ Ltd.

Equity and Liabilities	*31.12.2017*	*31.12.2018*
	₹	₹
Share Capital :		
Equity Share Capital	5,75,000	5,85,000
Preference Share Capital	4,55,000	4,55,000
Reserves and Surplus	50,000	60,000
Shareholders' Fund	**10,80,000**	**11,00,000**
Long-term Liabilities :		
Debentures	75,000	80,000
Long-term Loans	37,500	38,000
Long-term Provisions	42,500	42,500
Total Non-Current Liabilities	**1,55,000**	**1,60,500**
Current Liabilities :		
Sundry Creditors	87,500	90,000
Bills Payable	—	4,000
Short-term Provisions	47,500	47,500
Total Current Liabilities	**1,35,000**	**1,41,500**
	13,70,000	14,02,000

(Continued)

Assets	*31.12.2017*	*31.12.2018*
	₹	₹
Fixed Assets :		
Machineries	8,10,000	9,00,000
Buildings	3,07,500	2,47,000
Goodwill	40,000	40,000
Total Non-Current Assets	**11,57,500**	**11,87,000**
Current Assets :		
Trade Debtors	80,000	95,000
Sundry Receivable	85,000	77,500
Bank Balance	47,500	42,500
Total Current Assets	**2,12,500**	**2,15,000**
	13,70,000	14,02,000

(i) Prepare Comparative Profit & Loss A/c and Comparative Balance Sheet.

(ii) Explain the financial health of the company. 8+4=12

(Turn Over)

(Old Course)

(**Business Policy Analysis**)

1. Answer the following as directed : 1×12=12

(a) The Industries Act,

(i) 1948

(ii) 1951

(iii) 2005

(Choose the correct one)

(b) What is FPI?

(c) Define SLR.

(d) Which can be a method of privatization?

(i) Denationalization

(ii) Merger

(iii) Takeover

(iv) Purchasing shares

(Choose the correct one)

(e) Globalization means _____.

(Fill in the blank)

(f) The Sale of Goods Act, 1930 includes

(i) goods

(ii) land

(iii) service

(iv) All of the above

(Choose the correct one)

(g) Political intervention is bad for domestic country by foreign investment.

(Write True or False)

(h) _____% of FDI is allowed in mining services.

(Fill in the blank)

(i) What is global depository receipt?

(j) Define technical foreign collaborations.

(k) What is authorized share capital?

(l) The North-Eastern Council was formed in

(i) 1971

(ii) 1991

(iii) 2001

(Choose the correct one)

2. Answer any *four* of the following questions : $5 \times 4 = 20$

(a) Mention five measures adopted by the Government to encourage economic liberalization.

(b) Elaborate the needs and importance of foreign investment.

(c) Write the Government Policy towards MNCs.

(d) What is the legal and regulatory framework for foreign investment in India?

(e) Write a note on management of NEDFi.

(f) Discuss some measures to increase Foreign Trade in North-Eastern region.

3. Answer any *four* of the following questions : $12 \times 4 = 48$

(a) Business also has several responsibilities towards the Government. Explain.

(b) What are the various categories for Foreign Direct Investment in India? Explain each in detail.

(c) Express your view regarding foreign investment in India in detail.

(d) What are strategic alliances? What are the ground rules to be followed for strategic alliances?

(e) Explain the role of DoNER in economic development of North-Eastern region.

(f) State the positions of MNCs actively operating in India.

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