Particulars	2020	2021
Asset		
Non-Current Assets :		
Machinery	4,60,000	4,00,000
Building	3,52,000	3,00,000
Land	36,000	36,000
Current Liabilities :		
Stock	1,96,000	1,68,000
Debtor	76,000	76,000
Bills Receivable	1,24,000	84,000
Cash	64,000	84,000
	13,08,000	11,48,000

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63/2 (SEM–1) MCO101 (N/O)

2023

COMMERCE

Paper : MCO101

(New Course)

[Financial Statement Analysis (FSA)]

Full Marks : 80

Pass Marks : 32

Time : Three hours

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

1. Choose the correct answer : 1×6=6

(i) Solvency ratios are used to analyse

(a) Long-term financial position

(b) Short-term financial position

(c) Profitability of the firm

(d) None of the above

(ii) Intra-firm comparison refers to comparison of financial statement of

(a) two or more years of same firm

(b) two different firms of similar size

(c) two different firms of different size

(d) Both (b) and (c)

(iii) Depreciation is

(a) Cash flow from operating activity

(b) Cash flow from investing activity

(c) Cash flow from financing activity

(d) None of the above

(iv) Which one of the following is an example of internal financial statement analysis?

(a) Analysis of firm by Bank

(b) Analysis of firm by labour union

(c) Analysis by Creditors

(d) None of the above

(v) Which one of the following is recognized as ideal current ratio in general?

(a) 1:1

(b) 1:2

(c) 2:1

(d) 2:2

(vi) Flow of fund takes place when transaction involve

(a) Only Current Accounts

(b) Only Capital Accounts

(c) A Current Account and a Capital Account

(d) None of the above

2. Answer the following short questions: 2×5=10

(i) Define Net Working Capital.

(ii) What is absolute liquid ratio?

(iii) What is cash flow from investing activity?

(iv) What do you mean by base year in trend analysis?

(v) What is deferred revenue expense?

3. Answer ***any six*** of the following questions : 5×6=30

(i) Explain how ratio analysis helps in management decision making.

(ii) Differentiate between Cash Flow Statement and Fund Flow Statement.

(iii) Differentiate between comparative statement and common size statement.

(iv) State the importance of trend analysis.

(v) What are the limitations of financial statement analysis ?

(vi) Explain if comparative statement analysis is useful in inter-firm comparison.

(vii) "A fund flow statement is a better substitute for an income statement." Describe.

(viii) As a management of an organization explain, "how do you analyse the profitability of a firm?"

(ix) Explain the following : 2.5+2.5=5

(a) Debt-Equity ratio

(b) Debtors turnover ratio

4. Answer ***any two*** of the following questions : 10×2=20

(i) What is cash flow from operating activity ? Explain the direct and indirect methods of calculating cash flow from operating activity. 3+7=10

(ii) Following are the ratios that had been calculated from the books of Sonathi Enterprise during the financial year ending on 31 March 2022 :

Debtor's turnover ratio based on net sales : 2

Inventory trunover ratio : 1.25

Fixed Assets turnover ratio : 0.8

Debts to Assets ratio : 0.6

Gross Profit ratio : 25%

Net Profit ratio : 5%

Net Sales Rs. 5,00,000

With the help of the given information you have to reconstruct the income statement and the balance sheet of Sonathi Enterprise.

(iii) Following is the balance sheet of ABC Ltd. for the year ending on 31 March, 2021 and 2022 :

Particulars	2021	2022
Preference Share	6,00,000	8,00,000
Capital	7,50,000	20,00,000
Equity Share Capital	70,000	90,000
Reserves & Surpluses	5,75,000	6,50,000
Long-term loans	60,000	20,000
Sundry Creditors	10,000	
Account Payables	75,000	30,000
Overdrafts	50,000	4,50,000
Proposed Divident	21,90,000	40,40,000
Land & Buildings	4,00,000	6,15,000
Plant and Machinery	16,70,000	30,00,000
Inventories	50,000	1,25,000
Account Receivable	20,000	40,000
Short-term Securities	5,000	2,00,000
Preliminary Expenses	5,000	10,000
Cash	40,000	50,000
	21,90,000	40,40,000

On the basis of the information above—

(a) Prepare Common Size Balance Sheet

(b) Also, analyse the financial health of the firm in terms of liquidity and solvency 6+4=10

5. Answer ***any one*** of the following questions : 14×1=14

(i) Do you think that financial statement analysis is important to understand the financial health of a firm? Explain. Describe the approaches that are used to analyse the financial statement. 7+7=14

(ii) Following are the information related to the balance sheet of Narzary Ltd. You are required to prepare fund flow statement.

Particulars	2020	2021
Equity & Liabilities		
Shareholders Fund :		
Share Capital		
10% Preference Share Capital	2,20,000	2,00,000
Equity Share Capital	5,00,000	4,40,000
Reserves & Surpluses		
Securities Premium	52,000	40,000
P/L Account	2,68,000	2,08,000
Non-Current Liabilities :		
12% Debenture	1,28,000	1,40,000
Current Liabilities :		
Creditors	92,000	76,000
Bills payables	8,000	10,000
Provision for taxation	24,000	20,000
Dividend payable	16,000	14,000
	13,08,000	11,48,000

Contd.

Particulars	2020	2021
Asset		
Non-Current Assets :		
Machinery	4,60,000	4,00,000
Building	3,52,000	3,00,000
Land	36,000	36,000
Current Liabilities :		
Stock	1,96,000	1,68,000
Debtor	76,000	76,000
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	13,08,000	11,48,000

Paper : MCO101

(Old Course)

[*Financial Statement Analysis (FSA)*]

Full Marks : 80

Pass Marks : 32

Time : Three hours

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

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(b) Short-term financial position

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(a) two or more years of same firm

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(d) Both *(b)* and *(c)*

(iii) Depreciation is

(a) Cash flow from operating activity

(b) Cash flow from investing activity

(c) Cash flow from financing activity

(d) None of the above

(iv) Which one of the following is an example of internal financial statement analysis ?

(a) Analysis of firm by Bank

(b) Analysis of firm by labour union

(c) Analysis by Creditors

(d) None of the above.

(v) Which one of the following is recognized as ideal current ratio in general ?

(a) 1:1

(b) 1:2

(c) 2:1

(d) 2:2

(vi) Flow of fund takes place when transaction involve

(a) Only Current Accounts

(b) Only Capital Accounts

(c) A Current Account and a Capital Account

(d) None of the above

2. Answer the following short questions : 2×5=10

(i) What is accounting Information system ?

(ii) What is Net Working Capital ?

(iii) What is cash flow from investing activity ?

(iv) What do you mean by base year in trend analysis ?

(v) What is deferred revenue expense ?

3. Answer ***any six*** of the following questions : 5×6=30

(i) Briefly explain the Accounting standard process in India.

Contd.

(ii) Write a short note on Conceptual Framework.

(iii) Explain how ratio analysis helps in management decision making.

(iv) Differentiate between cash flow statement and fund flow statement.

(v) Differentiate between Comparative statement and common size statement.

(vi) State the importance of trend analysis.

(vii) What are the limitations of financial statement analysis.

(viii) Explain some of the precautions that has to be taken while using ratios analysis as a tool of financial statement analysis.

(ix) Explain the following : 2.5+2.5=5

(a) Current ratio

(b) Gross profit ratio

4. Answer ***any two*** of the following questions : 10×2=20

(i) What are the qualities of a good accounting information system? Explain the information need of the users of the accounting information. 5+5=10

(ii) From the following information calculate

(a) Current Ratio

(b) Liquid Ratio

(c) Inventory turnover ratio

(d) Debtors turnover ratio

(e) Creditors turnover ratio

Particulars	Amount Rs.	Particulars	Amount Rs.
Creditors	64,000	Sundry Debtors	84,000
Bills Payable	58,000	Cash	20,000
Provision for tax	30,000	Bank	16,000
		Bills Receivable	30,000
		Marketable securities	16,000
		Loose tools	8,000
		Closing stock	1,06,000

Additional Information :

Opening stock Rs. 94,000, Purchase Rs. 3,60,000, Sales less return Rs. 5,04,000, Provision for Bad Debt Rs. 4,000.

(iii) Following is the Balance Sheet of ABC Ltd. for the year ending on 31 March, 2021 and 2022 :

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Preference share	6,00,000	8,00,000
Capital	7,50,000	20,00,000
Equity Share Capital	70,000	90,000
Reserves & Surpluses	5,75,000	6,50,000
Long-term loans	60,000	20,000
Sundry Creditors	10,000	
Account payables	75,000	30,000
Overdrafts	50,000	4,50,000
	21,90,000	40,40,000
Proposed Divident		
Land & Buildings	4,00,000	6,15,000
Plant and Machinery	16,70,000	30,00,000
Inventories	50,000	1,25,000
Account Receivable	20,000	40,000
Short-term securities	5,000	2,00,000
Preliminary Expenses	5,000	10,000
Cash	40,000	50,000
	21,90,000	40,40,000

On the basis of the information above

(a) Prepare Common Size Balance Sheet

(b) Also, analyse the financial health of the firm in terms of liquidity and solvency. 6+4=10

5. Answer ***any one*** of the following questions : 14×1=14

(i) Do you think that financial statement analysis is important to understand the financial health of a firm? Explain. Describe the approaches that are used to analyse the financial statement. 7+7=14

(ii) Following are the information related to the balance sheet of Narzary Ltd. You are required to prepare fund flow statement.

Particulars	2020	2021
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Share Capital		
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