



WEST BENGAL STATE UNIVERSITY
BBA Honours 6th Semester Examination, 2022

BBAADSE08T-BBA (DSE3/4)

FINANCIAL STATEMENT ANALYSIS

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.
Candidates should answer in their own words and adhere to the word limit as practicable.*

GROUP-A

Answer any two questions from the following

10×2 = 20

1. (a) What do you mean by Financial Statements? What is the needs of Financial Statements? 5+5
(b) Briefly state the ideas of the Traditional and Modern approaches in Financial Statement Analysis.
2. (a) What is vertical analysis of financial statement? What is horizontal analysis of financial statement? Distinguish between vertical and horizontal analysis. 2+2+4
(b) What is meant by inter firm comparison? 2
3. (a) What are the limitations of Cash Flow Statement? 5+5
(b) From the following information of Y Ltd., calculate Cash Flows from operating activity :

	₹
Operating profit before changes in Working Capital or Operating assets	57,500
Debtors (decrease)	5,000
Stock (increase)	2,000
Bills payable (decrease)	4,500
Creditors (increase)	3,200
Cash at bank (increase)	20,000
4. What are the deficiencies of historical cost system of maintaining accounts? 10
5. From the following information calculate: 10
 - (i) Debt equity ratio
 - (ii) Interest coverage ratio
 - (iii) Debt to total fund ratio
 - (iv) Return on investment

Information	₹
Share Capital	1,60,000
General Reserve	60,000
Profit & Loss A/c	1,00,000
Loan @ 15% interest	2,00,000
Sales for the year	5,60,000
Tax paid during the year	40,000
Profit (current year after interest and tax)	80,000

6. (a) Briefly discuss the managerial uses of Cash Flow Statement. 6+4
 (b) Distinguish between net profit and cash from operation.

GROUP-B

Answer any *two* questions from the following

15×2 = 30

7. (a) What are the ratios required to be computed to know the short-term solvency and Managerial efficiency of a firm. Give in detail the ratio. 10+5
 (b) What are the limitations of ratio analysis?
8. Discuss the role of following ratios in the interpretation of financial statements: 5+5+5
 (i) Debtors turnover ratio
 (ii) Capital gearing ratio
 (iii) Operating ratio.
9. From the following Balance sheet of Delta Ltd. and additional information, prepare a statement of changes in Working Capital and a Fund Flow Statement for the year ended 31.12.2020 15

Balance Sheet of Delta Ltd.

Liabilities	2019 Rs.	2020 Rs.	Assets	2019 Rs.	2020 Rs.
Equity Share	3,00,000	4,00,000	Goodwill	1,00,000	80,000
8% Redeemable Preference Share	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
Capital Reserve	-	20,000	Plant	80,000	2,00,000
General Reserve	40,000	50,000	Investment	20,000	30,000
Profit & Loss A/c	30,000	48,000	Debtors	1,40,000	1,70,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Sundry Creditor	25,000	47,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash & Bank	25,000	18,000
Liability for Exps.	30,000	36,000	Preliminary Exps.	15,000	10,000
Provision for Tax	40,000	50,000			
	6,77,000	8,17,000		6,77,000	8,17,000

Additional Information:

- (i) A piece of Land was sold in 2020 and the profit on sale was credited to Capital Reserve A/c
- (ii) A Machine (WDV Rs. 12,000) was sold for Rs. 10,000. In 2020 Depreciation Rs. 10,000 was charged to Plant A/c
- (iii) The Investments are Trade Investments Rs. 3,000 by way of dividend is received (including Rs. 1,000 from pre-incorporation profit which was credited to Investment A/c)
- (iv) An Interim Dividend of Rs. 20,000 has been paid in 2020.

10. The following information are available from the books of SB Ltd. as on 31.03.2022:

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Balance Sheet as on 31.03.2022			
Liabilities	(₹)	Assets	(₹)
Equity Share Capital @ 10 each	1,00,000	Land and Building (Net)	3,50,000
Reserve and Surplus	50,000	Other Fixed Assets (Net)	1,80,000
10% Debenture	3,00,000	Stock	60,000
12% Long term Loan	1,00,000	Debtors	40,000
Creditors	50,000	Cash and Bank	20,000
Bank overdraft	50,000		
	6,50,000		6,50,000

Additional information:

- (i) Income tax rate 35%
- (ii) Net sales of SB Ltd. during 2021-22 is ₹7,80,000
- (iii) EPS as on 31st March 2022 is Re. 0.975
- (iv) Price-earnings ratio is 9.

Using Altman's function calculate Z-score of SB Ltd. and interpret the result.

11. From the following information prepare the Trading & Profit and Loss Account and balance sheet of MKS Co. Ltd.:

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Current Ratio	2.2:1
Liquid Ratio	1.7:1
Gross Profit Ratio	16%
Net Profit Ratio	7%
Debtors Turnover	6 times
Stock Turnover	5.6 times
Proprietor's Fund to equity share capital	1.2:1
Working capital	₹1,44,000
Equity Share Capital	65,000 shares @ ₹10 each

12. Write short notes:

5+5+5

- (i) Dividend Discount Model
- (ii) Trend Analysis
- (iii) Free Cash Flow to Equity.

N.B. : Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.

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