



WEST BENGAL STATE UNIVERSITY
B.Com. Honours 6th Semester Examination, 2022

FACADSE07T-B.COM. (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 are the objectives of financial statement analysis? 5+5
(b) Distinguish between Financial Statement and Financial statement Analysis.
2. Following is the Balance Sheet of G.D Engineering Ltd. as on 31.03.2022: 10

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	6,00,000	Land & Building	7,00,000
Preference Share Capital	8,00,000	Plant & Machinery	6,00,000
Reserve	1,20,000	Furniture	80,000
Profit & Loss Account	80,000	Debtors	4,00,000
12% Debentures	4,00,000	Stock	3,00,000
Trade Creditors	1,20,000	Cash	80,000
Outstanding Exp.	30,000	Prepaid Exp.	70,000
Bank Overdraft	40,000	Preliminary	20,000
Proposed Dividend	60,000		
	22,50,000		22,50,000

Calculate:

(i) Current Ratio (ii) Liquidity Ratio (iii) Debt-Equity Ratio.

3. From the following information make a trend analysis and comment: 10

Year	2015	2016	2017	2018	2019	2020	2021
Sales (Rs. in lakh)	10	12	15	14	18	10	16
Operating Expenses	6	7	6	6.5	7	8	7.5
Long term borrowing	6	6	6	6.5	7	7	7.5
Inventory	1	1.5	1.2	1.3	1.6	1.9	1
EBIT	2	3	6	5	8	1	3

4. (a) What is Financial Distress? 3+7
(b) What are the symptoms of financial distress?

5. (a) What are the limitations of Cash Flow Statement? 5+5
 (b) Distinguish between a Cash Book and a Cash Flow Statement.
6. (a) State the need of preparation of Fund Flow Statement. 5+5
 (b) From the following Profit & Loss A/c ascertain the amount of Fund from operation:

Dr.		Cr.	
	Rs.'000		Rs.'000
To Salaries	50	By Gross Profit b/d	10
To Rent	20	By Rent Received	50
To Depreciation	10	By Interest on Investment	40
To Preliminary Exp.	20	By Net Loss	50
To Loss on Sale of Plant	50		
	150		150

GROUP-B

Answer any two questions from the following

15×2 = 30

7. (a) Distinguish between Cash Flow and Fund Flow. 5+10
 (b) What are the advantages of ratio analysis?

8. Explain the different dividend discount models. 15

9. From the following information prepare a Trading and Profit and Loss Accounts of Mr. X: 15

Fixed Assets / Capital	5/4
Fixed Assets	Rs. 5,50,000
Capital / Liabilities	1/2
Net Profit/ Capital	1/4
Gross Profit Ratio	25%
Stock Turnover Ratio	9
Fixed Assets / Total Current Assets	1/2
Net Profit to Sales	18%
Closing Stock	Rs. 50,000

Out of other current assets value of debtors and cash are distributed in the ratio of 4:1.

10. From the following details, prepare a statement of changes in working capital and a statement of sources and applications of funds for the year ended 31.12.2020: 15

(Rupees in thousands)

Liabilities	31.12.20	31.12.19	Assets	31.12.20	31.12.19
Equity Share Capital	400	250	Plant & Machinery	400	380
Preference Share Capital	-	150	Other Fixed Assets	20	20
Revaluation Reserve	70	100	Stock-in-trade	320	200
General Reserve	60	50	Book-debts	355	290
Profit & Loss A/c	10	-	Discount on debenture	5	-
15% Debentures	100	-	Profit & Loss Account	-	30
Bank Overdraft	50	40			
Provision for Taxation	60	10			
Creditors	350	320			
	1100	920		1100	920

- (a) During 2020, preference shareholders were given an option to convert their shares into equity shares or to redeem them at a premium of 5%. Holders of Rs. 50,000 preference shares opted for conversion and the other shares were redeemed. The premium was charged to Profit & Loss Account.
- (b) Depreciation charged during the year 2020 had been:
 - (i) Rs. 70,000 on plant and machinery, out of which Rs. 30,000 was charged against revaluation reserve, and
 - (ii) Rs. 5,000 on other fixed assets.
- (c) The balance in the provision for taxation account is after charging Rs. 20,000 paid as advance income-tax.
- (d) Debentures were issued at a discount one-half of which has been written off against profits.

11. From the following summarized balance sheets of Moonlight Ltd. and other relevant information, prepare a Cash Flow Statement for the year ended 31.3.2022:

15

(Rupees in lakhs)					
Liabilities	31.3.21	31.3.22	Assets	31.3.21	31.3.22
Share Capital	50	70	Land and Building	50	65.00
Securities Premium	4.5	5.5	Plant & Machinery	20.5	21.55
General Reserve	10	4.5	Stock	9.8	9.50
Capital Reserve	-	1.5	Debtors	10.2	11.82
Profit & Loss A/c	7	6.75	Cash	6.25	6.87
8% Debentures	10	8.5	Prepaid Expenses	1.57	0.89
Provisions for taxation	3.5	4.5			
Proposed Dividend	5	7			
Creditors	7.3	6.11			
Outstanding Expenses	1.02	1.27			
	98.32	115.63		98.32	115.63

Additional information:

- (i) A plant costing Rs. 5,00,000 (WDV Rs. 3,52,000) has been sold during 2021-22 for Rs. 4,00,000. Profit on sale has been transferred to Capital Reserve Account.
- (ii) A piece of land has been sold for Rs. 7,00,000 during the year 2021-22. The profit on sale of such land has also been transferred to capital reserve account.
- (iii) Balance of Capital Reserve on 31.3.2022 consists of profit on sale of plant and land only.
- (iv) During the year 2021-22 bonus shares of Rs. 10,00,000 has been issued out of general reserve.
- (v) Debentures were redeemed at a premium of 10%. Premium on redemption has been transferred to Profit & Loss Account.
- (vi) Amount appropriated during 2021-22: for proposed dividend- Rs. 7,00,000 and for taxation- Rs. 4,00,000.

- (vii) Depreciation provided during 2021-22: on Plant & Machinery- Rs. 3,28,000 and on Building- Rs. 2,25,000.

12.(a) Using Altman’s Model compute the value of “Z” from the data given below:

8

Liabilities	Rs.	Assets	Rs.
Share Capital (Rs. 10 each)	2,00,000	Fixed Assets	4,20,000
Reserve & Surplus	60,000	Inventory	1,80,000
10% Debentures	3,00,000	Book Debts	70,000
Sundry Creditors	80,000	Loans & Advances	20,000
Outstanding Expenses	60,000	Cash at Bank	10,000
	7,00,000		7,00,000

Additional Information:

- (i) Market value per share Rs. 12.50
 (ii) Operating Profit (20% on sale) Rs. 1,40,000.
- (b) Compare between Beaver’s model and Altman’s model on corporate failure prediction.

7

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.

—x—