

Seat No. : _____

MA-102

May-2022

B.B.A., Sem.-IV

CC-213 : Corporate Financial Statements

Time : 2 Hours]

[Max. Marks : 50

- Instructions :** (i) All Questions in Section – I carry equal marks.
(ii) Attempt any **TWO** questions in Section – I.
(iii) Question – 5 in Section – II is **COMPULSORY**.

Section – I

1. The following are the summarized balance sheets of Kumar Ltd.

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Particulars	Note No.	31-3-2020	31-3-2021
Equity and Liabilities :			
1. Share-holder's funds :			
A. Share capital :			
Equity share capital (of ₹ 10 each)		24,00,000	32,00,000
10% preference share capital (of ₹ 10 each)		16,00,000	8,00,000
B. Reserves and Surplus :			
General Reserve		10,00,000	12,00,000
2. Non-current liabilities :			
10% debentures		16,00,000	16,00,000
3. Current liabilities :			
Creditors		6,40,000	8,00,000
Bank overdraft		8,00,000	6,40,000
Bills payable		1,60,000	6,00,000
Total		82,00,000	88,40,000
Assets :			
1. Non-current assets :			
A. Fixed Assets :			
(I) Tangible Assets :			
Land & Building		20,00,000	36,00,000
Machinery		18,00,000	12,00,000
Furniture		8,00,000	4,00,000
(II) Intangible Assets :			
Goodwill		12,00,000	12,00,000
B. Other non-current assets :			
Preliminary expenses		2,08,000	2,84,000
2. Current Assets :			
Debtors		10,00,000	12,00,000
Stock		10,00,000	9,00,000
Cash & Bank balance		1,92,000	56,000
Total		82,00,000	88,40,000

Additional Information :

	2019-20 (₹)	2020-21 (₹)
Total sales (cash sales are 3/5 of credit sales)	64,00,000	86,40,000
Gross profit	18,00,000	19,20,000
Net profit before debenture interest and taxes	12,80,000	14,40,000
Tax rate	50%	50%

Stock as on 1-4-2019 is ₹ 6,00,000.

From the above information, calculate the following ratios for both the years :

- (1) Current ratio
- (2) Earnings per share
- (3) Net profit ratio
- (4) Return on capital employed
- (5) Proprietary ratio
- (6) Return on capital employed
- (7) Capital Gearing ratio
- (8) Liquid ratio
- (9) Interest coverage ratio
- (10) Stock turnover ratio

2. The following are the balance sheets of Kushal Company as on 31-3-2020 and 31-3-2021 :

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Particulars	Note No.	31-3-2020	31-3-2021
Equity and Liabilities :			
1. Shareholders funds :			
A. Share capital (Equity)		15,00,000	18,75,000
B. Reserves and Surplus			
General Reserve		3,75,000	4,50,000
Profit & Loss account		2,28,750	2,29,500
2. Non-current liability :			
10% debentures		5,25,000	–
3. Current liabilities :			
Creditors		11,25,000	10,14,000
Provision for taxation		2,25,000	2,62,500
Total		39,78,750	38,31,000
Assets :			
1. Non-current assets :			
A. Fixed Assets :			
Goodwill		–	37,500
Land & Building		15,00,000	14,25,000
Machinery		11,25,000	12,67,500
2. Current Assets :			
Stock		7,50,000	5,55,000
Debtors		6,00,000	4,81,500
Cash balance		3,750	4,500
Bank balance		–	60,000
Total		39,78,750	38,31,000

Other Information :

- (1) Dividend of ₹ 75,000 was paid during the year.
 - (2) Assets of another company were purchased for a consideration of ₹ 3,75,000 payable in equity shares. The following assets were purchased.
Stock ₹ 1,50,000, Machinery ₹ 1,87,500
 - (3) Loss on sale of machinery of ₹ 1,500 was written off to General Reserve.
 - (4) Further a machinery of ₹ 60,000 was purchased.
 - (5) Income-tax provision for the year ended 31-3-2021 was ₹ 90,000.
 - (6) Depreciation on land & building was ₹ 75,000.
- You are required to prepare a cash-flow statement as per Account Standard 3.

3. (A) Convert the following income statement into common-size income statement. 10

Particulars	₹ in lakhs
Net sales	80,000
Less : cost of goods sold	50,000
Gross profit	30,000
Less : opening expenses	10,000
Operating profit	20,000
Add : Dividend income	4,000
	24,000
Less : Interest on loan	8,000
Profit before tax	16,000
Less : Tax (50%)	8,000
Profit after tax	8,000
Less : Preference dividend	2,000
Earnings available for equity shareholders	6,000

- (B) The following are the balances in the accounts statement of Rahul Ltd. for the year 2020-21. 10

Particulars	Amount	Particulars	Amount
Sales	64,48,000	Agent's Commission	52,000
Purchase of raw material	26,00,000	Consumable stores	65,000
Packing materials	26,000	Stationery	26,000
Audit fees	10,400	Staff welfare expense	4,10,800
Insurance	67,600	Rent, rates & taxes	41,600
Managing Director's remuneration	2,18,400	Travelling exp.	54,600
Fuel & Oil	23,400	Electricity	13,000
Materials used in repair of building	88,400	Advertisement	65,000
Contribution to provident fund	1,56,000	Salaries & wages	16,38,000
Subscription paid	5,200	Postage & Telegram	36,400
Interest on loan	46,800	Director's sitting fees	1,04,000
Depreciation provided	1,43,000	Carriage	57,200
Opening stock :		Dividend to shareholders	78,000
Raw-material	2,21,000	Closing stock :	
Finished goods	5,20,000	Raw-material	2,80,800
Retained earnings	3,25,000	Finished goods	6,24,000
		Income tax provided	2,60,000

Prepare a Value Added Statement and a statement of distribution of value-added for the year 2020-21.

4. (A) Explain how window dressing is different from creative accounting. **10**
(B) Explain the meaning and need for Interim Reporting. **10**

Section – II

5. Do as directed (any **ten**) : **10**
- (1) Following is not a method of analysis of financial statement.
(a) Common size statement (b) Ratio analysis
(c) Cash flow statement (d) Statement of Assets & Liabilities
 - (2) Higher the creditors ratio (in days), better is the efficiency of the business.
State True or False.
 - (3) Common-size statements are expressed in _____. (percentage/ratio/absolute figures)
 - (4) Interest received from investment is a cash flow from _____ activity. (operating / investing / financing)
 - (5) Accounting standard 17 relates to _____.
(a) Segment reporting (b) Interim reporting
(c) Cash flow statement (d) Amalgamation
 - (6) Debt equity ratio shows _____ position of a business.
(a) Profitability (b) Liquidity
(c) Efficiency (d) Solvency
 - (7) Loss on sale of machinery is shown under _____ in Value Added Statement.
(a) To Government (b) To providers of Capital
(c) To Employees (d) Re-investment in Business
 - (8) Cash receipts from issue of debentures is a _____ activity. (operating / financing / investing)
 - (9) State the formula of 'Price – Earning Ratio'.
 - (10) Increase in prepaid expenses will _____ the cash balance. (increase / decrease)
 - (11) Define : 'Auditor's Report'.
 - (12) A current ratio of less than 'one' means current liabilities are less than current assets. State true or false.
 - (13) Grouping of items covered under the XBRL taxonomy is classified as :
(a) Expenses & Incomes (b) Assets & Liabilities
(c) ID Markers (d) None of the above
 - (14) In ratio analysis, the term 'Networth' refers to :
(a) Equity shareholder's funds (b) Capital employed
(c) Share-holder's funds (d) Equity share capital
 - (15) Define : 'Corporate Governance'.