

BB-125

May-2015

B.B.A, Sem.-IV**CC-213 : Corporate Financial Statement**

Time : 3 Hours]

[Max. Marks : 70

- Instructions :** (1) Figures to the right indicate marks.
(2) Show calculations as part of your answer.

1. The following are the summarized Balance Sheet of ABC Ltd :

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Liabilities	31-3-14	31-3-15	Assets	31-3-14	31-3-15
Equity share capital (₹ 10 each)	6,00,000	8,00,000	Goodwill	3,00,000	3,00,000
10% Pref. share capital (₹ 10 each)	4,00,000	2,00,000	Land & Building	5,00,000	9,00,000
Reserves	2,50,000	3,00,000	Machinery	4,50,000	3,00,000
8% Debentures	4,00,000	4,00,000	Furniture	2,00,000	1,00,000
Creditors	1,60,000	2,00,000	Debtors	2,50,000	3,00,000
Bank Overdraft	2,00,000	1,60,000	Stock	2,50,000	2,25,000
Bills Payable	40,000	1,50,000	Cash & Bank Bal.	48,000	14,000
			Preliminary Expenses	52,000	71,000
	20,50,000	22,10,000		20,50,000	22,10,000

Additional Informations :

	2013-14	2014-15
Total Sales (Cash sales are 3/5 of credit sales)	16,00,000	21,60,000
Gross profit	4,50,000	4,80,000
Net Profit (Before interest on debentures & tax)	3,20,000	3,60,000
Tax Rate	50%	50%

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

- (i) Current Ratio
- (ii) Earning per share
- (iii) Net profit ratio
- (iv) Debtors ratio (360 days)
- (v) Capital gearing ratio
- (vi) Return on Capital employed
- (vii) Proprietary Ratio

OR

- (a) Write short notes : 7
 - (i) Methods / Tools of Analysis of Financial statements.
 - (ii) Utility of Ratio Analysis.
- (b) Mention any four ratios showing market strength and state their formulas. 7

2. (a) What are common size statements ? Explain the preparation of common size Balance Sheet. 7

OR

Convert the following income Statement into Common-size Income Statement. 7

	₹
Net Sales	20,000
Less : Cost of Goods sold	10,000
Gross Profit	10,000
Less : <u>Operating Expenses</u>	
Administration Expenses	2,000
Selling and distribution Expenses	1,500
Operating Profit	6,500
Less : Interest on debenture	1,500
Profit before tax	5,000
Less : Tax	2,000
Profit after tax	3,000
Less : Preference Dividend	1,000
Earning for equity shareholders	2,000

- (b) Explain the meaning and utility of value added statement. 7

OR

The following figures for a period were extracted from the Books of ABC Ltd.
Prepare a Value Added Statement for the year :

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	₹		₹
Sales	24,80,000	Retained earnings	1,25,000
Commission on sales	20,000	Dividend to shareholders	30,000
Purchase of raw-material	10,00,000	Interest on Bank-loan	18,000
Stock of raw material :		Staff welfare Expenses	1,58,000
Opening	85,000	Insurance	26,000
Closing	1,08,000	Rent, rate & taxes	16,000
Finished stock :		M.D. Remuneration	84,000
Opening	2,00,000	Travelling Expenses	21,000
Closing	2,40,000	Advertisement	25,000
Other Materials	93,000	Postage & Telegram	14,000
Audit free	4,000	Salaries & Wages	6,30,000
Income-tax provided	1,00,000	Contribution to Provident Fund	60,000
Depreciation	55,000	Subscription	2,000
Carriage outward	22,000		
Director's sitting fees	40,000		

3. The following are the condensed Balance Sheet of XYZ Co. Ltd. as on 31st March.

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Liability	31-3-14	31-3-15	Assets	31-3-14	31-3-15
Equity Shares Capital (of ₹ 10 each)	4,00,000	6,00,000	Fixed Assets (Net)	5,20,000	8,92,000
General Reserve	2,40,000	80,000	Investment	60,000	48,000
Profit & Loss A/c.	40,000	48,000	Sundry Debtors	40,000	60,000
10% Bank Loan	—	2,00,000	Stock	2,20,000	1,40,000
Bills Payable	1,80,000	2,04,000	Cash & Bank Balance	48,000	36,000
Provision for taxation	60,000	68,000	Preliminary Expenses	32,000	24,000
	9,20,000	12,00,000		9,20,000	12,00,000

Additional Informations :

- (1) On 1-4-2014, Bonus shares at one share for every two shares were issued by capitalizing General Reserve.
- (2) Income tax of ₹ 40,000 was paid during the year.
- (3) Depreciation of ₹ 20,000 was provided on fixed assets.
- (4) Investments costing ₹ 20,000 were sold for ₹ 24,000 and the profit was credited to Profit & Loss A/c.
- (5) Interim dividend of ₹ 20,000 was paid.

From the above information, prepare a Cash Flow Statement.

OR

- Write short notes on : 14
- (i) Meaning of cash flow statement and state the effects of changes in current assets and current liabilities on cash flow
- (ii) Difference between Fund Flow Statement and Cash Flow Statement.
4. (a) Explain any **two** of the following : 4
- (i) Director's Report
- (ii) Income Statement
- (iii) Balance Sheet
- (b) Discuss the meaning and objectives of Corporate Financial Reporting. 5
- OR**
- Discuss the creative financial practices adopted in window dressing.
- (c) Write a note on : (any **one**) 5
- (i) Corporate Governance
- (ii) Segment Reporting
5. Do as Directed : 14
- (1) Financial Statements are based on _____.
- (a) Historical Cost (b) Opportunity Cost
- (c) Current Cost (d) Replacement Cost
- (2) Comparative statement is called a vertical analysis. State true or false
- (3) For preparing a common size income statement _____ is taken as base. (Sales / Net profit / Total Assets / Cost of goods sold)
- (4) State the formula of interest coverage ratio.
- (5) Mention any two turnover ratios.
- (6) Capital employed includes debenture / long term loan. (State true or false).
- (7) Higher the debtor ratio (in days), better is the efficiency of credit and collection department. (State true or false)
- (8) Loan borrowed from bank is a cash flow from _____ activity. (Operating / investing / Financing)
- (9) Define XBRL.
- (10) ICAI has issued Accounting Standard _____ for cash flow statement. (10 / 14 / 3)
- (11) Audit fees paid is shown as a part of distribution to employees in 'Distribution of value added statement'. State true or false.
- (12) Define : 'Interim Reporting'
- (13) The auditor's report of a company is prepared by one of the following _____.
- (a) Statutory Auditor (b) Audit Committee
- (c) Internal Auditor (d) Management
- (14) If liquid ratio is 1 : 1 and liquid liabilities are ₹ 40,000 then liquid assets = _____
- (a) 40,000 (b) 20,000 (c) 10,000 (d) Nil