Seat No. : _______________

AM-116

April-2016

B.B.A., Sem.-IV

CC-213 : Corporate Financial Statements

Time : 3 Hours] **[Max. Marks : 70**

Instructions : (1) Figures to the right indicate marks of each question.
(2) Show calculation as a part of answer.

1. The following are the Balance-Sheets of Sneha Ltd. as on 31-3-14 and 31-3-15 : **14**

Liability	**31-3-14**	**31-3-15**	**Asset**	**31-3-14**	**31-3-15**
Eq. shares of ₹ 100 each	10,00,000	12,00,000	Land & Building	10,00,000	12,00,000
10% Preference shares of ₹ 100 each	6,00,000	6,00,000	Machinery	7,00,000	8,00,000
12% Debentures	2,00,000	2,00,000	Furniture & Fixtures	3,00,000	4,00,000
General Reserve	1,40,000	2,40,000	Debtors	2,40,000	4,00,000
Profit & Loss a/c	2,60,000	1,60,000	Bills receivable	1,00,000	1,00,000
Bank overdraft	2,00,000	2,60,000	Stock	3,80,000	60,000
Creditors	2,40,000	3,00,000	Cash at Bank	80,000	2,00,000
Bills Payable	1,60,000	2,00,000			
	28,00,000	**31,60,000**		**28,00,000**	**31,60,000**

Additional Information :

	31-3-14 (₹)	**31-3-15 (₹)**
Total purchases	12,60,000	19,60,000
Net profit (after interest & tax. Tax rate is 50%)	2,00,000	3,00,000
Credit sales (75% of total sales)	6,00,000	7,20,000

From the above information, calculate the following accounting ratios :

(i) Net profit ratio
(ii) Return on shareholder's funds
(iii) Return on capital employed
(iv) Capital gearing ratio
(v) Current ratio
(vi) EPS
(vii) Liquid ratio

OR

(A) Discuss the utility of ratio analysis. **6**

(B) From the following ratios calculated from the accounts of a company & standard ratios, comment on the financial position and operational efficiency of the company. **8**

		Ratios	
		Actual	**Standard**
(1)	Current ratio	4:1	2.25:1
(2)	Debtor's velocity	60 days	90 days
(3)	Net profit ratio	14%	20%
(4)	Proprietary ratio	50%	60%

2. Following are the summarized Balance-Sheets of XYZ Ltd. as on 31-3-15 and 31-3-2016 : **14**

Liability	31-3-15	31-3-16	Asset	31-3-15	31-3-16
Share capital	8,00,000	10,00,000	Land & Building	8,00,000	7,60,000
General Reserve	2,00,000	2,40,000	Machinery	6,00,000	6,76,000
Profit & Loss a/c	1,22,000	1,22,400	Stock	4,00,000	2,96,000
Bank loan	2,80,000	–	Debtors	3,20,000	2,56,800
Creditors	6,00,000	5,40,800	Cash	2,000	2,400
Provision for taxation	1,20,000	1,40,000	Bank Bal.	–	32,000
			Goodwill	–	20,000
	21,22,000	**20,43,200**		**21,22,000**	**20,43,200**

Additional Information :

During the year ended 31-3-16 :

(1) Dividend of ₹ 40,000 was paid.

(2) The following assets of another company were purchased for a consideration of ₹ 2,00,000 paid for in shares. Machinery ₹ 1,00,000 and Stock ₹ 80,000.

(3) Machinery was purchased for ₹ 32,000.

(4) Provision was made for Income tax ₹ 1,32,000 during the year.

(5) Depreciation written off :

Machinery ₹ 48,000 and Land & Building ₹ 40,000.

(6) The loss on sale of machinery ₹ 800 was transferred to General reserve.

Prepare cash flow statement.

OR

Write notes on :

(i) Difference between fund flow statement and cash flow statement.

(ii) Meaning of cash flow statement and state the effects of changes in current assets & current liabilities on cash flow.

3. (A) What are common size statements ? Explain the preparation of common size income statement. **7**

OR

Re-arrange the following Balance Sheet in vertical form and convert it into common size Balance-Sheet.

Liabilities	₹	Assets	₹
Equity share capital	8,00,000	Fixed Assets	10,00,000
7% Preference share capital	2,00,000	Investment	50,000
General reserve	40,000	Stock	12,000
Profit & Loss a/c	60,000	Debtors	30,000
10% Debentures	1,00,000	Cash & Bank	1,48,000
Creditors	32,000		
Bank overdraft	8,000		
	12,40,000		**12,40,000**

(B) Write notes on : **7**

(i) Value added statement

(ii) Importance of XBRL

OR

The following figures are extracted for the year ended 31-3-2016 from the books of Krishna Ltd.

Particulars	₹	Particulars	₹
Contribution to provident fund	1,75,000	Depreciation	81,000
Salaries & Wages	11,73,000	Audit fees	7,500
Sales	47,50,000	Advertisement expenses	30,000
Purchases of raw-materials	16,00,000	Rent & taxes	16,000
Consumption of other materials	1,45,000	Subscription	7,500
Carriage outward	31,000	Postage & Telegram	21,000
Commission on sales	30,000	M.D. remuneration	1,50,000
Dividend to shareholders	45,000	Insurance	35,000
Travelling exp.	23,500	Staff-welfare exp.	2,50,000
Profit & loss a/c (profit)	7,37,500	Income-tax provided	2,00,000
Director's fees	51,000	Interest on Bank loan	21,000
Opening stock :		Closing stock :	
Raw material	1,30,000	Raw material	1,55,000
Finished goods	2,50,000	Finished goods	3,05,000

Prepare a value added statement and show its distribution.

4. (A) Explain any **two** of the following : **5**
   - (i) Auditor's report
   - (ii) Balance Sheet
   - (iii) Director's report

   (B) Discuss the meaning & objectives of Corporate Financial Reporting. **5**

OR

   (B) What is Window dressing ? How is it reflected in the annual reports ? **5**

   (C) Write short note (any **one**) : **4**
   - (i) Meaning & need of interim reporting.
   - (ii) Corporate Governance.

5. Do as directed : **14**

(1) Mention any one technique used for financial analysis.

(2) Interest coverage ratio = _____ / Interest.
(PAT / PBT / PBIT)

(3) _____ ratio shows leverage position of a business.
(Gross Profit / Debt-Equity / Stock turnover)

(4) Ideal liquid ratio is _____.
(2:1 / 1:1 / 0.5:1)

(5) ICAI has issued accounting standard _____ for preparing interim reports.
(3 / 14 / 25)

(6) Define : 'Segment Reporting'.

(7) The auditor's report of a company is prepared by :
- (a) Statutory auditor
- (b) Audit committee
- (c) Internal auditor
- (d) Financial manager

(8) Issue of new shares at a premium indicates cash flow from operating activity. State true or false.

(9) Overseas operations are considered as one of the following segment :
- (a) Business
- (b) Geographical
- (c) Primary Reportable
- (d) Secondary Reportable

(10) Increase in stock will _____ the cash flow from operations.
(increase / decrease)

(11) In value added statement, depreciation is part of re-investment in business. State true or false.

(12) Share-holder's funds includes debentures. State true or false.

(13) Price-earning ratio = _____ / EPS
(MPS / Shareholder's funds)

(14) For preparing a common size income statement _____ is taken as base.
(Sales / Total Assets / Cost of Goods sold)