

**NR-123**

November-2017

**T.Y. M.B.A. Integrated****Financial Analysis and Reporting****Time : 3 Hours]****[Max. Marks : 100**1. Answer the following questions : (any **two**) **20**

- (1) What is fundamental accounting equation ? Take any five business transactions and explain the effect of them on the accounting equation.
- (2) Explain the advantages of Profit and Loss account and disadvantages of Balance - sheet.
- (3) What do you understand by adjustment entries ? Why they are required ? Write any five adjustment entries.

2. (a) What is the need for regulations for preparation and presentation of financial statements ? Which are major regulations in Indian context in this regard ? **10**(b) Discuss the procedure of analyzing the financial statements in detail. **10****OR**

Discuss the purposes of analyzing the financial statements in detail.

3. (a) The income statement and balance sheet for a company are given for two years as follows : **12**

	<b>2015</b>	<b>2016</b>
Net sales	1,00,000	1,50,00
Less: cost of sales	70,000	1,10,000
Gross profit	30,000	40,000
Less: operating expenses	20,000	25,000
Net profit	10,000	15,000

<b>Liabilities</b>	<b>2015</b>	<b>2016</b>	<b>Assets</b>	<b>2015</b>	<b>2016</b>
Equity share capital	60,000	70,000	Fixed assets (net)	56,000	65,000
Reserves and surplus	12,000	7,000	Stock	15,000	10,000
Mortgage loan	10,000	20,000	Debtors	40,000	25,000
Creditors	36,000	12,000	Bank balance	4,000	2,000
Bills payable	2,000	1,000	Cash	5,000	8,000
	<b>1,20,000</b>	<b>1,10,000</b>		<b>1,20,000</b>	<b>1,10,000</b>

You are required to calculate following ratios and interpret them :

- (1) Gross profit ratio
- (2) Net profit ratio
- (3) Current ratio
- (4) Stock turnover ratio
- (5) Average collection period
- (6) Debt-equity ratio

Assume 360 days in a year.

- (b) What is meant by EVA ? How is it superior to other measures of performance evaluation ? Explain its computation with example.

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**OR**

Discuss the benefits and limitations of ratio analysis.

4. The Balance - Sheets of N Ltd. for the year 2013-14 and 2014-15 are given below :

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<b>Liabilities</b>	<b>2013-14</b>	<b>2014-15</b>
Equity share capital (shares of ₹ 10 each ₹ 8 paid up)	12,00,000	
Equity share capital (shares of ₹ 10 each fully paid)		18,00 000
12% Preference share capital	10,00,000	7,00,000
Securities premium	50,000	35,000
General reserve	8,00,000	4,00,000
Profit & Loss a/c	2,66,000	4,50,000
15% Debentures	2,00,000	6,00,000
Creditors	8,00,000	9,50,000
Proposed equity dividend	1,44,000	2,25,000
Provision for taxation	2,00,000	2,40,000
<b>Total</b>	<b>46,60,000</b>	<b>54,00,000</b>
<b>Assets</b>	<b>2013-14</b>	<b>2014-15</b>
Fixed assets	21,00,000	23,00,000
Investments	4,00,000	5,20,000
Stock	11,00,000	13,60,000
Debtors	9,00,000	8,80,000
Cash and Bank	1,40,000	3,30,000
Prepaid expenses	20,000	10,000
<b>Total</b>	<b>46,60,000</b>	<b>54,00,000</b>

Additional information for the year 2014 -15 :

- (1) During the year the company has paid a bonus of ₹ 2 per share to make the partly paid shares fully paid up and for this purpose general reserve was utilized.
- (2) The company then issued equity shares as right shares in the ratio of one for every five held.
- (3) Preference shares were redeemed at 5% premium on 31<sup>st</sup> March, 2015.
- (4) During the year a machine costing ₹ 1,20,000 on which depreciation written-off to date was ₹ 30,000 was sold for ₹ 95,000 and current year's depreciation provided on fixed assets was ₹ 1,50,000.
- (5) Paid proposed equity dividend of last year and also paid interim dividend of ₹ 90,000.
- (6) The preference share dividend is paid on 31<sup>st</sup> March each year.
- (7) Income tax of ₹ 2,40,000 was paid during the year.

From the above information, you are required to prepare Cash flow statement as per AS-3 showing all your workings as part of your answer.

5. Write short note on : (any **two**)

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- (1) Significance of financial reporting
- (2) Mandatory requirements of Directors' report
- (3) Contents of a Corporate Governance report