

Seat No. : _____

ZF-115

May-2014

B.B.A. Sem.-IV

CC-213 : Corporate Financial Statement

Time : 3 Hours]

[Max. Marks : 70

1. Given below are the Balance Sheets of Akshay Ltd. and details of Trading and Profit & Loss A/c. for the related year are as under : **14**

Liability	31-12-12	31-12-13	Assets	31-12-12	31-12-13
Equity share capital (share of ₹ 100 each)	3,00,000	4,00,000	Goodwill	1,00,000	1,00,000
10% pref. share capital (₹ 10 each)	2,00,000	2,00,000	Land & Building	2,96,500	3,66,000
General Reserve A/c.	80,000	85,000	Plant & Machinery	1,00,000	1,20,000
Profit & Loss A/c.	64,000	70,000	Stock	80,000	90,000
Creditors	8,000	10,000	Debtors	64,000	70,000
Bills Payable	8,000	12,000	Cash Balance	8,000	10,000
Outstanding Expense	5,000	4,000	Bills Receivable	16,000	20,000
Bank Overdraft	7,500	5,000	Preliminary Expense	8,000	10,000
	6,72,500	7,86,000		6,72,500	7,86,000

Extract from Trading and Profit & Loss A/c are :

	2012	2013
Credit Sales (which is 80% of total sales)	6,40,000	8,00,000
Gross Profit	4,00,000	5,00,000
Net Profit (after 50% tax)	1,10,000	1,75,000

Stock on 1-1-2012 is ₹ 70,000.

Proposed dividend at 20%

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

- (i) Liquid Ratio
- (ii) Earning Per Share
- (iii) Stock Turnover Ratio
- (iv) Dividend per Share
- (v) Net Profit Ratio
- (vi) Gearing Ratio
- (vii) Debtors Ratio (300 days)

OR

- (a) Discuss in detail the techniques of Financial Statement Analysis. 7
- (b) From the following ratios calculated from the accounts of a company and standard ratios of the industry, briefly comment on the financial position of the company with respect to each ratio : 7

	Actual Ratios	Standard Ratios
(i) Current Ratio	4 : 1	2 : 1
(ii) Debtors Ratio	60 days	75 days
(iii) Gross Profit Ratio	40%	40%
(iv) Net Profit Ratio	20%	25%

2. The following are the condensed Balance Sheet of ABC Co. Ltd. as on 31 March : 14

Liability	31-12-12	31-12-13	Assets	31-12-12	31-12-13
Equity share capital (of ₹ 10 each)	5,00,000	7,50,000	Fixed Assets (net)	6,50,000	11,15,000
General Reserve	3,00,000	1,00,000	Investment	75,000	60,000
Profit & Loss A/c.	50,000	60,000	Stock	50,000	75,000
10% Debentures	–	2,50,000	Debtors	2,75,000	1,75,000
Creditors	2,25,000	2,55,000	Cash & Bank bal.	60,000	45,000
Provision for tax	75,000	85,000	Preliminary Expense	40,000	30,000
	11,50,000	15,00,000		11,50,000	15,00,000

Additional Information :

- Investments costing ₹ 25,000 were sold at a profit of ₹ 5,000 and the profit was credited to Profit & Loss A/c.
- Depreciation of ₹ 25,000 was provided on fixed assets.
- Income tax of ₹ 70,000 was paid during the year.
- On 1-4-2012, bonus shares at one share for every two shares were issued by capitalizing general reserve.

From the above information, prepare a Cash Flow statement as per Accounting Standard 3.

OR

- (a) Give the meaning of Cash Flow Statement. Discuss it's utility. 7
- (b) Calculate Cash Flow from operating activity from the following Profit & Loss A/c. information : 7

Debit	₹	Credit	₹
To Salaries	46,000	By Gross Profit	86,000
To Rent, Rates & Taxes	14,000	By Profit on sale of Machinery	6,000
To Insurance Premium	2,000		
To Depreciation	6,000		
To Preliminary exp. w\ off	2,000		
To Provision for tax	6,000		
To Net Profit	16,000		
	92,000		92,000

Additional Informations :

- (1) There was an increase of ₹ 12,000 in the debtors and a decrease of ₹ 5,000 in the stock at the end of the year.
- (2) Creditors were reduced by ₹ 10,000.

3. (a) What are common size statements ? Discuss advantages of common size financial statements.

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OR

Convert the following income statement into a common size statement :

Particulars	Figures in lakhs (₹)
Sales	8,000
(-) Cost of goods sold	5,000
Gross profit	3,000
(-) Operating Expense	
Administration Expense	800
Selling Expense	700
Total operating Expense	1,500
Operating Profit	1,500
(-) Interest paid	500
Profit before tax	1,000
(-) Tax	300
Profit after tax	700

- (b) Write a note on utility of 'Value Added Concept'.

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OR

The following are the balances in the accounts of Seema Ltd. for the year 2012-2013. Prepare value added statement and distribution of value added statement :

Particulars	₹	Particulars	₹
Purchase of raw-material	24,00,000	Rent & Taxes	6,00,000
Sales	95,00,000	Stock of goods (Raw materials, WIP & finished goods)	
Commission on Sales	5,00,000	Opening stock	6,00,000
Interest on loan	1,50,000	Closing stock	7,80,000
Wages & Salaries	12,00,000	Income tax during the year	10,50,000
Contribution to Provident Fund	1,20,000	Contribution to employee's Insurance	1,20,000
Depreciation on Plant & Machinery	9,00,000	Other expenses	3,00,000
Printing & Stationary	75,000	Profit & Loss A/c. (opening balance)	36,00,000
Audit Fees	1,05,000		
Dividend on Equity shares	5,70,000		
Profit & Loss A/c. (Current year's profit)	15,90,000		

4. (a) Write short note : (any **one**) **5**
 (i) Need of Interim Reporting
 (ii) Corporate Governance
- (b) Write short note : (any **one**) **5**
 (i) Qualitative characteristics of Financial Reporting
 (ii) Window dressing versus creative accounting
- (c) Explain any **two** of the following : **4**
 (i) Balance Sheet
 (ii) Auditor's Report
 (iii) Director's Report
5. Do as Directed : **14**
- (1) According to AS-3, payment of taxes is to be shown as a cash outflow before finalising net cash flow from operating activities. (True/False)
- (2) Cash flow _____ due to increase in current asset. (increase / decreases)
- (3) Loan borrowed is shown as inflow from _____ activity. (operating / investing/ financing)
- (4) Define : Segment Reporting.
- (5) Expand XBRL.
- (6) Following is not a part of the corporate Annual Reports :
 (a) Cash flow statement
 (b) Statement of Memorandum of understanding
 (c) Management discussion and Analysis
 (d) Notes to Accounts
- (7) Accounting Standard 17 provides for :
 (a) Interim Reporting (b) Notes to Accounts
 (c) Corporate Governance (d) Segment Reporting
- (8) Mention any two liquidity ratios.
- (9) Give the formula of Return on Capital employed.
- (10) From the following, which ratio is not profitability ratio ?
 (a) Operating Ratio (b) Capital Gearing Ratio
 (c) Expense Ratio (d) Return on Shareholder's funds
- (11) If current ratio is 4 : 1 and current liability is ₹ 10,000, current asset will be _____
 (a) ₹ 40,000 (b) ₹ 2500
 (c) ₹ 10,000 (d) ₹ 20,000
- (12) Liquid assets = Current Assets (–) _____ (Stock / Debtors / Bills Receivable)
- (13) Proprietor's funds does not include fictitious assets (true/false)
- (14) Dividend yield ratio = Dividend per share / _____. (earning per share / market price per share)