

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
FY B.Com, Semester-II, Semester End Examination, April-May 2023
Financial Statement Analysis & Interpretation (CC 6)

Duration: 2hrs

Max Marks: 80

Instructions:

- i. Q.1 is compulsory.
- ii. Answer any three from Q.2 to Q.6.
- iii. Start each question on fresh page.
- iv. Figures to the right indicate maximum marks.
- v. Working notes form the part of the answer and carries marks.

Q.1) Following is the Trial Balance of Amity Ltd as on 31/03/2022

| Particulars | Debit | Credit |
|--|-----------|-----------|
| 4,00,000 Equity Shares of Rs. 10/- each | | 40,00,000 |
| 12% Debentures | | 30,00,000 |
| Profit & Loss A/c (Balance as on 1/4/2017) | | 2,62,500 |
| Bills Payable | | 3,70,000 |
| Creditors | | 4,00,000 |
| Sales | | 41,50,000 |
| General Reserve | | 2,50,000 |
| Provision for Doubtful Debts | | 35,000 |
| Premises | 30,72,000 | |
| Plant & Machinery | 33,00,000 | |
| Opening Stock of Finished Goods | 7,50,000 | |
| Debtors | 8,70,000 | |
| Goodwill | 2,50,000 | |
| Cash & Bank Balance | 4,81,500 | |
| Interim Dividend | 3,92,500 | |
| Purchase of Finished Goods | 18,50,000 | |
| Share Issue Expenses | 50,000 | |
| Salaries | 9,79,800 | |
| General Expenses | 68,350 | |
| Advertisement Expenses | 2,02,250 | |

| | | |
|------------------------|------------|------------|
| Bad Debts | 21,100 | |
| Interest on Debentures | 1,80,000 | |
| | 12,467,500 | 12,467,500 |

Additional Information:

1. Authorised Capital of the Company is 5,00,000 equity shares of Rs. 10 each.
2. Write off Share Issue Expenses fully.
3. Stock of finished goods on 31/03/2022 is Rs. 9,50,000.
4. Create provision for doubtful debts @ 5% on debtors.
5. Provide Rs. 1,80,000 for Income Tax.
6. Depreciate Plant & Machinery @ 15% p.a.

From the above information prepare statement of Profit and Loss for the year ended 31/03/2022 & Balance Sheet as on that date of Amity Ltd. (20 Marks)

Q.2) Following is the Trading and P&L A/c of Suez Ltd. For the years ended 31st March 2022 and 2023.

Trading and P& L Account

| Particulars | 2022 | 2023 | Particulars | 2022 | 2023 |
|---------------------|-----------|-----------|---------------------|-----------|-----------|
| To Opening Stock | 3,50,000 | 2,00,000 | By Sales | 11,00,000 | 12,00,000 |
| To Purchases | 7,00,000 | 9,00,000 | By Closing Stock | 2,00,000 | 3,00,000 |
| To wages | 50,000 | 1,00,000 | | | |
| To Gross Profit c/d | 2,00,000 | 3,00,000 | | | |
| | 13,00,000 | 15,00,000 | | 13,00,000 | 15,00,000 |
| To Office Expenses | 1,00,000 | 1,25,000 | By gross profit b/d | 2,00,000 | 3,00,000 |
| To Selling Expenses | 50,000 | 1,00,000 | | | |
| To Finance Expense | 20,000 | 30,000 | | | |
| To Net Profit c/d | 30,000 | 45,000 | | | |
| | 2,00,000 | 3,00,000 | | 2,00,000 | 3,00,000 |

Prepare a Comparative Income Statement from the above in vertical form and interpret the same. (20 Marks)

Q.3) Sunnys & Co. furnishes the following statements for the year ended 31st March 2023.

Balance Sheet as on 31st March 2023

| Equity & Liabilities | Amt. (Rs.) | Assets | Amt. (Rs.) |
|------------------------------------|------------------|---------------------------------------|------------------|
| Equity Share Capital (Rs. 10 each) | 20,00,000 | Property, Plant & Equipment (At Cost) | 50,00,000 |
| 6% Preference Share Capital | 10,00,000 | Less: Depreciation | (6,00,000) |
| Reserves & Surplus | 2,00,000 | Net Block | 44,00,000 |
| Profit & Loss A/c | 6,00,000 | Long Term Investments | 5,50,000 |
| 12% Debentures | 12,00,000 | Debtors (P.Y. Rs.6,00,000) | 8,00,000 |
| 13% Long Term Loans | 6,00,000 | Stock (P.Y. Rs. 9,00,000) | 12,00,000 |
| Creditors (P.Y. Rs. 9,00,000) | 8,00,000 | Bank Balance | 2,00,000 |
| Accrued Expenses | 1,00,000 | Prepaid Expenses | 50,000 |
| Bank Overdraft | 7,00,000 | Advance Income Tax | 2,50,000 |
| Provision for Income Tax | 3,00,000 | Preliminary Expenses | 50,000 |
| | 75,00,000 | | 75,00,000 |

Profit & Loss A/c for the year ended 31st March 2023

| Particulars | Amt. (Rs.) | Particulars | Amt. (Rs.) |
|-----------------------------|------------------|---------------------|------------------|
| To Cost of Goods Sold | 63,00,000 | By Cash Sales | 30,00,000 |
| To Gross Profit c/d | 27,00,000 | By Credit Sales | 60,00,000 |
| | 90,00,000 | | 90,00,000 |
| To Administrative Expenses | 9,00,000 | By Gross Profit b/d | 27,00,000 |
| To Selling Expenses | 7,00,000 | | |
| To Interest Charges | 2,22,000 | | |
| To Provision for Income Tax | 3,00,000 | | |
| To Net Profit c/d | 5,78,000 | | |
| | 27,00,000 | | 27,00,000 |
| To Transfer to Reserves | 78,000 | By Balance b/f | 1,00,000 |
| To Balance c/f | 6,00,000 | | |
| | 6,78,000 | | 6,78,000 |

The company has a short term provision for dividend of Rs. 7,50,000.

You are required to calculate the following financial ratios and interpret the same:

- i) Current Ratio
- ii) Net Profit After Tax (NPAT) Ratio
- iii) Return on Capital Employed
- iv) Debt Service Ratio
- v) Stock Turnover Ratio
- vi) Creditors Turnover Ratio
- vii) Debtors Turnover Ratio

(Note: Preparation of financial statements in vertical format is not required)

(20 Marks)

Q.4) Rehasmas & Co furnishes you the following financial statements in Horizontal format. You are required to prepare Common Size statements in vertical format (in the format as per Revised Schedule III, Company's Act 2013) and interpret the same.

Balance Sheet as on 31st December 2022

| Equity & Liabilities | Amt. (Rs.) | Assets | Amt. (Rs.) |
|------------------------------|------------|------------------------|------------|
| Share Capital: | | Land | 1,00,000 |
| Equity Share Capital | 50,000 | Less: Depreciation | 7,500 |
| 12% Preference Share Capital | 25,000 | | 92,500 |
| Reserves & Surplus | 17,500 | Short Term Investments | 20,000 |
| 10% Debentures | 25,000 | Inventory | 17,500 |
| Bills Payable | 7,500 | Sundry Debtors | 15,000 |
| Sundry Creditors | 10,000 | Cash in Hand | 5,000 |
| Outstanding Expenses | 5,000 | | |
| Provision for Taxation | 10,000 | | |
| | 1,50,000 | | 1,50,000 |

Profit & Loss A/c for the year ended 31st December 2022

| Particulars | Amt. (Rs.) | Particulars | Amt. (Rs.) |
|-----------------------------------|------------|-------------|------------|
| To Opening Stock of Raw Materials | 15,000 | By Sales | 1,50,000 |

| | | | |
|---------------------------|-----------------|-----------------------------------|-----------------|
| To Purchases | 90,000 | By Closing Stock of Raw Materials | 17,500 |
| To Expenses: | | | |
| Printing Expenses | 12,500 | | |
| Packaging Charges | 15,000 | | |
| Interest on Debentures | 2,500 | | |
| To Depreciation | 7,500 | | |
| To Provision for Taxation | 10,000 | | |
| To Net Profit c/d | 15,000 | | |
| | 1,67,500 | | 1,67,500 |

(20 Marks)

Q.5) Amul Ltd. Provides you with the following comparative Balance Sheets for the year ending 31st March 2022 and 31st March 2023.

| | 2022 Amt. (Rs.) | 2023 Amt. (Rs.) |
|-------------------------------------|--------------------|--------------------|
| Liabilities | | |
| Bills Payables | 16,500 | 20,000 |
| Outstanding Expenses | 1,750 | 2,250 |
| Debentures | 20,000 | 17,500 |
| Equity Share Capital | 1,00,000 | 1,00,000 |
| Profit & Loss A/c | 11,750 | 26,000 |
| Provision for Doubtful Debts | 1,000 | 1,500 |
| Accumulated Depreciation: Furniture | 1,500 | 3,750 |
| Property | 6,000 | 9,000 |
| | 1,58,500 | 1,80,000 |
| Assets | | |
| Bank Balance | 21,500 | 22,000 |
| Prepaid Expenses | 1,000 | 8,000 |
| Bills Receivables | 40,000 | 45,000 |
| Inventory | 16,000 | 20,000 |

| | | |
|---------------------|----------|----------|
| Investments | 25,000 | 15,000 |
| Furniture (at cost) | 12,500 | 20,000 |
| Property (at cost) | 37,500 | 45,000 |
| Equipment | 5,000 | 5,000 |
| | 1,58,500 | 1,80,000 |

Additional Information:

- a. Dividend Paid during 2023 was Rs. 13,250.
- b. - Investments Costing Rs. 10,000 were sold in 2023 for Rs. 12,500.
- c. Furniture costing Rs. 2,500 on which Rs. 500 depreciation has been accumulated, was sold for Rs. 3,000 in the year 2023.

Prepare a Cash Flow Statement for the year 2023.

(20 Marks)

Q6 Write short notes on ANY 4 of the following:

(4x5 mks = 20)

- 1) Employee benefit expenses
- 2) Merits of Comparative Statements
- 3) Trend Analysis
- 4) Economic Value Added
- 5) Importance of Ratio Analysis
- 6) Uses of Cash flow statement analysis