# PGDFT (Semester I) Examination, January 2022
# DFTO 112: FINANCIAL STATEMENT ANALYSIS

**Duration: 3 Hours** **Max Marks: 60**

**Instructions:**
1. This paper consists of **NINE** Questions carrying Equal Marks.
2. Question No. 1 consists of 5 Compulsory Questions of 2 Marks Each.
3. Answer any 5 questions from Question 2,3,4,5,6,7,8 and 9.
4. Each question carries 10 marks. Figures to the right indicate marks.

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1. **Answer the following:(5*2=10)**
   **a)** Limitations of **Financial Statement Analysis**

   b) The comparative balance sheets of Bansal Private Limited at two different dates provide the following information.

| **Asset** | **2006 Amount (Rs.)** | **2007 Amount (Rs.)** |
|---|---|---|
| Plant and machinery | 13,50,000 | 14,40,000 |
| | | |

   It is informed that depreciation amounting to Rs. 60,000 has been providedduring the year. Find the **changes that have taken place in the asset and also state their effect on cash flows.**

   c) The liquidity of a business firm is measured by its ability to satisfy its long-term obligations as they become due. What are the ratios used for this purpose?

   **d)** What is **trend analysis?**

   e) Classify the following into cash flows from operating activities investing activities financing activities:
   1) Cash sale of goods
   2) Payment of dividend
   3) Cash payment of a long term loan
   4) Cash payment to acquire fixed assets

2. Unlucky Limited went into liquidation. Its assets realised by Rs. 2, 10,000 excluding the amount realised by the sale of securities held by secured creditors.

   From the following prepare **Liquidator's Final Statement of Account.**

   Secured creditors Rs. 17,500 (security realised Rs. 20,000),
   Preferential creditor's Rs. 3,000,
   Unsecured Creditors Rs. 1, 00,000,
   Debentures (having floating charges on assets) Rs. 1, 25,000.
   Liquidation expenses Rs. 2,500,
   Liquidator's Remuneration is 3 % on amount paid to unsecured creditors.

**(10)**

3. **From the following data, prepare a Common-Size statement of Profit & Loss of Pixel Ltd:**

| Particulars | 31st March, 2021 | 31st March, 2020 |
|---|---|---|
| Revenue from Operations (% of Other Income) | 200% | 200% |
| Other Income | Rs. 2,00,000 | Rs. 1,50,000 |
| Cost of Material Consumed (% of Operating Revenue) | 60% | 50% |
| Other Expenses (% of Material Cost) | 10% | 20% |
| Tax Rate | 30% | 30% |

**(10)**

4. **The Balance Sheet of Punjab Auto Limited as on 31st/12/2002 was as follows:**

| Particulars | Rs. | Particulars | Rs. |
|---|---|---|---|
| Share Capital | 40,000 | Plant&Machinery | 24,000 |
| CapitalReserve | 8,000 | Land and | 40,000 |
| 8%LoanonMortgage | 32,000 | BuildingsFurniture | 16,000 |
| Creditors | 16,000 | &FixturesStock | 12,000 |
| Bank | 4,000 | Debtors | 12,000 |
| overdraftTaxat ion: | 4,000 | Investments (Short□term) | 4,000 |
| | 4,000 | Cashinhand | 12,000 |
| CurrentFutur e | | | |
| ProfitandLossA/c | 12,000 | | |
| | **1,20,000** | | **1,20,000** |

From the above, compute (a) the Current Ratio, (b) Quick Ratio, (c) Debt Equity Ratio, and (d)ProprietaryRatio

**(10)**

5. **Fromthefollowinginformation,calculatecashflowsfromoperatingactivities.**

| **Particulars** | ***Rs.*** |
|---|---|
| Totalsalesfortheyear | 2,50,000 |
| Totalpurchasesfortheyear | 2,00,000 |
| Tradedebtorsason1.7.2007 | 12,000 |
| Tradecreditorsason1.7.2007 | 14,500 |
| Tradedebtorsason30.6.2008 | 20,800 |
| Tradecreditorsason30.6.2008 | 21,600 |
| Totaloperatingexpensesfortheyear | 10,200 |
| Outstandingexpensesason1.7.2007 | 1800 |
| Prepaidexpensesason1.7.2007 | 1500 |
| Outstandingexpensesason30.6.2008 | 2400 |
| Prepaidexpensesason30.6.2008 | 2200 |
| Incometaxpaidduringtheyear | 2000 |

(10)

6. From the following information calculate (i) Earning per share (ii) Book value per share (iii) Dividend payout ratio (iv) Price earning ratio.

70,000 equity shares of Rs. 10 each Rs. 7,00,000

Net Profit after tax but before dividend Rs.1,75,000

Market price of a share Rs. 13

Dividend declared @ 15%

(10)

7. From the following data relating to the Equity and liabilities of balance sheet ofX Ltd., for the period March 31, 2010 to 2013, calculate the **trend percentages**taking 2010-11 as the base year. Also, **write Interpretation.**

**(Rs. In Lakhs)**

| **Particulars** | **2010-2011** | **2011-2012** | **2012-2013** | **2013-2014** |
|---|---|---|---|---|
| **Equity Share Capital** | 1000 | 1000 | 1200 | 1500 |
| **General Reserves** | 800 | 1000 | 1200 | 1500 |
| **12% Debentures** | 400 | 500 | 500 | 500 |
| **Bank Overdraft** | 300 | 400 | 550 | 500 |
| **Trade Payables** | 100 | 120 | 80 | 140 |
| **Sundry Creditor** | 300 | 400 | 500 | 600 |
| **Outstanding Liabilities** | 50 | 75 | 125 | 150 |

(10)

8. **Write short notes on:**

a) Difference between **Common Size Analysis and Comparative statement Analysis.**

b) Different **types of Mergers.** (10)

9. The following are the balance sheet as on 31st December 1999 of X Limited and Y Limited:

| Liabilities | X Co. (Rs.) | Y Co. (Rs.) | Assets | X Co. (Rs.) | Y Co. (Rs.) |
|---|---|---|---|---|---|
| **Equity share capital** | | | Land & building | 30,000.00 | - |
| Shares of Rs. 100 each | 1,00,000.00 | 60,000.00 | Plant & Machinery | 1,10,000.00 | 50,000.00 |
| 6% debentures | 20,000.00 | | | | |
| Reserve fund | 34,000.00 | | Stock | 16,000.00 | 8,000.00 |
| Profit and loss account | 2,000.00 | | Debtors | 14,000.00 | 9,000.00 |
| Dividend equalization fund | 4,000.00 | | Cash | 3,000.00 | 1,000.00 |
| Employees Provident Fund | 3,000.00 | | | | |
| Sundry creditors | 10,000.00 | 8,000.00 | | | |
| | | | | | |
| | **1,73,000.00** | **68,000.00** | | **1,73,000.00** | **68,000.00** |

The two companies agreed to amalgamate and form a new company called Z Limited which takes over the Assets and liabilities of both the companies. The authorized capital of Z Limited is Rs. 1000000 zero consisting 100000 equity shares of Rs.10 each come the Assets of X Limited or taken over at a reduced valuation of 10% with exception of land and buildings which are accepted at book value.

Both the companies Auto receive 5% of the valuation of their respective business as Goodwill. The entire purchase price is to be paid by Z Limited in fully paid shares. In return for debenture in X Limited debenture of same amount at the nomination are to be issued by Z Limited.

**You are required to opening journal entries and balance sheet in the books of Z Limited.**

**(10)**