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 |
| | | | Land & Building | 2,96,500 | 3,66,000 |
| 10% pref. share capital (₹ 10 each) | 2,00,000 | 2,00,000 | Plant & Machinery | 1,00,000 | 1,20,000 |
| | | | Stock | 80,000 | 90,000 |
| General Reserve A/c. | 80,000 | 85,000 | Debtors | 64,000 | 70,000 |
| Profit & Loss A/c. | 64,000 | 70,000 | Cash Balance | 8,000 | 10,000 |
| Creditors | 8,000 | 10,000 | Bills Receivable | 16,000 | 20,000 |
| Bills Payable | 8,000 | 12,000 | Preliminary Expense | 8,000 | 10,000 |
| Outstanding Expense | 5,000 | 4,000 | | | |
| Bank Overdraft | 7,500 | 5,000 | | | |
| | **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 |
| | | | Investment | 75,000 | 60,000 |
| General Reserve | 3,00,000 | 1,00,000 | Stock | 50,000 | 75,000 |
| Profit & Loss A/c. | 50,000 | 60,000 | Debtors | 2,75,000 | 1,75,000 |
| 10% Debentures | – | 2,50,000 | Cash & Bank bal. | 60,000 | 45,000 |
| Creditors | 2,25,000 | 2,55,000 | Preliminary Expense | 40,000 | 30,000 |
| Provision for tax | 75,000 | 85,000 | | | |
| | **11,50,000** | **15,00,000** | | **11,50,000** | **15,00,000** |

**Additional Information :**

(1) Investments costing ₹ 25,000 were sold at a profit of ₹ 5,000 and the profit was credited to Profit & Loss A/c.

(2) Depreciation of ₹ 25,000 was provided on fixed assets.

(3) Income tax of ₹ 70,000 was paid during the year.

(4) 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. **7**

**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'. **7**

**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)

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