

Term End Examination : June - 2018
DIPLOMA IN ACCOUNTING
Analysis of Financial Statement

Time: 3 hours

Full Marks: 100

Read the instructions carefully before attempting questions from each group.

GROUP – A

Q.No. 1. Answer all questions selecting the right options. [1 X 10 = 10]

- i. The term financial Statement includes
 - a. Profit and Loss Account
 - b. Profit and Loss Account and Balance Sheet
 - c. Profit and Loss Account, Profit and Loss appropriation Account and Balance Sheet
 - d. None of the Above

- ii. Interpretation of financial statement requires
 - a. Analysis and Interpretation
 - b. Simplification and Standardisation
 - c. Objective and Specification
 - d. None of the Above

- iii. Collection of book debt results

a. Application of Fund	c. No Flow of Funds
b. Sources of Fund	d. None of the Above

- iv. Collection of book debt results

a. Application of Fund	c. No Flow of Funds
b. Sources of Fund	d. None of the Above

- v. If net profits are Rs. 40,000/- and no cash charges are Rs. 5,000/- then the funds from operations will be

a. Rs. 40,000	c. Rs. 50,000
b. Rs. 45,000	d. Rs. 35,000

- vi. Operating performance is best measured by the ratio of return

a. On total Assets	c. On Share holders' equity
b. On fixed assets	d. None

- vii. A low stock turnover ratio indicates

a. Over investment in stocks	c. Solvency
b. Managerial efficiency	d. None

- viii. Earnings Per Share is Rs. 10, Market price per share is Rs. 120 and Price earning ration is

a. 10:1	c. 5:1
b. 12:1	d. 20:1

- ix. Which of the following is not a cash inflow

a. Purchase of machinery	c. Sale of Investments
b. Issue of Debentures	d. None

- x. Working capital is
- Equity plus long term debt plus noncurrent asset
 - WCR less short term debt less cash
 - WCR plus short term debt less cash
 - Equity plus long term debt less noncurrent asset

GROUP – B

Q.No. 2. Answer any 4 (four) questions each within 50 words. [5 X 4 = 20]

- What is owner's Equity.
- Explain various sources of Funds
- State Inventory Turnover ratio
- Limitations of ratio Analysis
- Format of Cash Flow statement (Direct Method)
- Dehejia Committee Report

GROUP – C

Q.No.3. Answer any 4 (four) questions each within 200 words. [10 X 4 = 40]

- Explain Common size statement and provide the specimen of Common size income statement.
- From the following information, prepare a comparative income state of M/s Gayatri Ltd.

Variables	2016	2017
Sales	120% of Goods Sold	150% of Goods Sold
Cost of Goods Sold	Rs. 20,00,000	Rs. 25,00,000
Indirect Expenses	10% of Gross Profit	
Rate of Income Tax	50% of net profit before tax	

- How does a cash flow statement differ from a funds flow statement
- State Various Liquidity ratio.
- Higher Profit margins need not necessarily lead to higher rate of return on investments – elucidate.
- How are net working capital, liquidity, technical insolvency and risk related?

GROUP – D

Q.No.4. Answer any 2 (two) questions each within 250 words. [15 X 2 = 30]

- What do you understand by the analysis and interpretation of Financial Statement? Discuss their utility and significance to the management and to the interested parties.
- What is a funds flow statement? Examine its use and significance for management.
- What is Working Capital? Explain various sources of Working Capital funds.
- The ratio relating to M/s Kameswari ltd. Are given as follows:
 Gross Profit Ratio: 15%
 Stock Velocity: 6 Months
 Debtor Velocity: 3 Months
 Creditors Velocity: 3 Months
 Gross profit for the year ending December 31st 2016 amounts to Rs. 60,000.
 Closing stock is equal to operating stock.
 Calculate: (a) Sales (b) Closing stock (c) Sundry Debtor (d) Sundry debtor