

Time: 3 Hours

PART – A (5X4=20 Marks)

Note: Answer any FIVE of the following questions not exceeding 20 lines each.

Limitations of Financial Statements.

From the following information prepare a comparative Income statement.

Particulars	2013-14 Rs.	2014-15 Rs.
Sales	10,00,000	8,00,000
Cost of goods sold	6,00,000	4,00,000
Administration, selling and Distribution Expenses	2,00,000	1,40,000
Other Income	40,000	20,000
Income tax	1,20,000	1,40,000

From the following particulars, Find out stock turnover ratio sales Rs.3,20,000, Gross profit 25% on sales, opening stock Rs.31,000, closing stock Rs. 29,000.

X Ltd. has a current ratio of 4.5:1 and acid test ratio of 3:1. If the inventory is Rs.24,000, find out its current liabilities.

State any four sources of funds.

The opening balance in the provision for taxation A/c as on 1st April, 2014 was Rs.40,000 and the closing balance as on 31st march 2015 was Rs.50,000. The taxes paid during the year amounted to Rs.30,000. How would you deal this item in funds flow statement assuming it as current liability.

Cash from financing Activities.

Discuss the limitations of Ratio Analysis.

PART – B (5X12=60 Marks)

Note: Answer all the questions in not exceeding 4 pages each.

a) Explain the uses and objectives of financial statements.

OR

b) What are the different types of financial statements? Explain their importance in business.

The following are the Balance sheets of A Ltd. and B Ltd. as on 31st March 2015. Compare these on the basis of common size Balance Sheet and comment.

Particulars	A Ltd. Rs.	B Ltd. Rs.
Equity and liabilities		
Share holder fund		
Share capital	3,50,000	2,50,000
Reserves and surplus	70,000	70,000
Non-current liabilities		
Debentures	3,50,000	2,50,000
Current Liabilities		
Trade payables: Creditors	25,000	20,000
Bills payables	15,000	10,000
	8,10,000	6,00,000

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b) What do you understand by analysis and interpretation of financial statements?

11 a) Following is the Trading and profit and loss account of a firm for the year ended 31st march 2015

Trading and profit and Loss Account

Particulars	Rs	Particulars	Rs.
To opening stock	35,000	By Sales	4,00,000
To Purchases	2,25,000	By Stock at the end	50,000
To wages	6,000		
To Gross profit c/d	1,84,000		
	4,50,000		4,50,000
To Administration Expenses	10,000	By Gross profit b/d	1,84,000
To selling and Distribution Expenses	14,000		
To Loss on sale of Plant	10,000		
To Net profit	1,50,000		
	1,84,000		1,84,000

Calculate the following ratios

- (i) Gross profit Ratio (ii) Net profit Ratio (iii) Net operating Profit Ratio
(iv) Operating Ratio (v) Expenses Ratio

OR

b) Explain the role of ratio analysis in the interpretation of financial statements.

12 a) From the following Balance sheets, prepare a schedule of changes in working capital and funds flow statement.

Equity and Liabilities	2014 Rs.	2015 Rs.	Assets	2014 Rs.	2015 Rs.
Share holders' funds			Non Current Assets		
Share Capital	4,00,000	4,50,000	Fixed Assets	6,10,000	7,20,000
Reserves and surplus	(50,000)	70,000	Investments	50,000	1,30,000
General Reserve	2,00,000	2,10,000	Current Assets	2,40,000	3,75,000
Debentures	2,40,000	3,50,000	Other current Assets – preliminary expenses	10,000	5,000
Current liabilities	1,20,000	1,50,000			
	9,10,000	12,30,000		9,10,000	12,30,000

Additional Information:

- i) Depreciation charged on fixed assets was Rs.60,000
ii) A machine of the book value of Rs.40,000 was sold for Rs.30,000

OR

b) What is a funds flow statement? Explain its importance to the management.

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13 a) From the following summarized cash book of Marine Drive Ltd. prepare cash flow statement for the year ended 31st March, 2015 in accordance with AS-3

	Rs.		Rs.
To Balance c/d	5,000	By payment to suppliers	2,60,000
To Receipts from customers	3,00,000	By purchase of Machinery	40,000
To sale of Machinery	45,000	By wages and salaries	20,000
To issue of shares	1,00,000	By Rent, Taxes and Rates	10,000
		By Income Tax	5,000
		By Dividends	10,000
		By Repayment of debentures	15,000
		By Balance c/d	90,000
	4,50,000		4,50,000

OR

b) What do you mean by Cash flow Statement? How is it different from funds flow statement? What is its utility to management?
