

2025

COMMERCE

Course No. : CM702C

(Financial Statement Analysis and Reporting)

Full Marks : 60

Time : 3 hours

*The questions are of equal value**The figures in the margin indicate full marks for the questions*

Answer any five questions

1. a) Define Business Analysis. Describe the different types of business analysis, and identify the category of users of financial statements that applies to each type of business analysis.

2+5+5

Or

- b) Based on the following information provided by ABC Limited for two years, prepare Comparative and Common-Size Income Statements. You are also required to interpret the results and provide suitable comments.

6+6

(₹ in '000)

Particulars	2024	2023
Net Sales	16734	15564
Cost of sales	7144	6360
Gross profit	9590	9204
Selling, general, and administrative expenses	5758	5414
Other Income / (Expenses)	(9)	301
Interest expenses	52	59
Provision for tax	1235	1117

(Turn Over)

2. a) Describe the methods of reporting cash flows by activities. How are cash flows classified into operating, investing, and financing activities?

6+6

Or

- b) The following are the summarised Balance Sheets of Gamma Ltd. as on 31st March 2023 and 31st March 2024.

Balance Sheet of Gamma Ltd. as on 31st March 2023 and 31st March 2024

Liabilities	31.03.2023	31.03.2024	Assets	31.03.2023	31.03.2024
Share capital	4,50,000	4,50,000	Plant and Machinery	4,00,000	3,20,000
General reserve	3,00,000	3,10,000	Investments	50,000	60,000
P&L Account	56,000	68,000	Inventory	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Provision for tax	75,000	10,000	Cash at bank	1,49,000	1,97,000
Mortgage loan	-	2,70,000			
	<u>10,49,000</u>	<u>12,42,000</u>		<u>10,49,000</u>	<u>12,42,000</u>

Additional information:

- Investments costing ₹ 8,000 were sold during the year for ₹ 8,500.
- Provision for tax made during the year was ₹ 9,000.
- During the year, a part of Plant and Machinery costing ₹ 10,000 was sold for ₹ 12,000, and the profit was included in the Profit and Loss Account.
- Dividend paid during the year amounted to ₹ 44,080.

You are required to prepare the Cash Flow Statement for the year ended 31st March 2024 using the Indirect Method.

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3. a) The following information relates to Company A and Company B as on 31st March 2024:

(Turn Over)

(3)

Particulars	Company A (₹ in lakhs)	Company B (₹ in lakhs)
Current Assets	12.00	9.00
Inventories	4.00	2.50
Prepaid Expenses	0.50	0.30
Current Liabilities	6.00	4.00
Bills Payable	1.00	0.80
Total Debt	20.00	14.00
Shareholders' Funds	15.00	11.00

You are required to calculate the following ratios for both companies and compare and interpret the results to evaluate the short-term liquidity and long-term solvency position of Company A and Company B:

- (i) Current Ratio, (ii) Quick Ratio, (iii) Debt–Equity Ratio,
(iv) Proprietary Ratio

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Or

- b) The following information is extracted from the Income Statement and Balance Sheet of Delta Ltd. for the year ended 31st March 2024:

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Particulars	Amount (₹)
Net Sales	25,00,000
Cost of Goods Sold	16,00,000
Administrative Expenses	3,00,000
Selling & Distribution Expenses	2,00,000
Interest	50,000
Non-operating Income	1,00,000
Tax Rate	40%
Capital Employed	10,00,000

You are required to calculate the following profitability ratios and provide a brief interpretation of the results.

- (i) Gross Profit Ratio
(ii) Operating Profit Ratio
(iii) Net Profit Ratio
(iv) Operating Ratio
(v) Return on Capital Employed (ROCE)

2+2+2+3+3

(Turn Over)

4. a) Explain how accounting policies and estimates impact financial statements of a company. 6
- b) Discuss the influence of auditing and corporate laws on statutory reporting. 6

Or

- c) Differentiate between the economic and accounting concepts of income. Which concept provides a more realistic measure of a firm's performance? 8
- d) State and briefly explain the methods used for determining the fair value of assets and liabilities. 4
5. a) Discuss the general obligations and responsibilities of stock brokers in ensuring ethical and transparent trading practices in India. 12

Or

- b) Explain the SEBI-mandated components of Mutual Fund Annual Reports in India. Discuss how these disclosures promote transparency and investor protection. 12

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