

**Goa Vidyaprasarak Mandal's
Gopal Govind Poy Raiturcar College of Commerce and Economics
Ponda-Goa**

B. Com. CBCS (Semester-II) Examination, July 2021

FINANCIAL STATEMENT ANALYSIS AND INTERPRETATION

Duration: 2 Hours

Marks: 40

INSTRUCTIONS:

1. Answer any **FOUR** questions.
2. Figures to the right indicate the marks allotted to the questions.
3. Give **working notes** wherever necessary.

Q. 1.

(10)

Following is the Trial Balance of M Ltd. as on 31st March 2021

Debit Balances	Amount	Credit Balances	Amount
Opening Stock	190000	Share Capital:	
Sundry Debtors	150000	1000, 8% Pref. shares of ₹100 each	100000
Bills Receivable	42000	2500 Equity shares of ₹100 each	250000
Business Premises	200000	General Reserve	10000
Plant & Machinery	180000	Sundry Creditors	23000
Furniture	20000	Profit & Loss Balance	60000
Cash & Bank balance	35000	Sales	530000
Office expenses	47000	10% Debentures	200000
Debenture Interest paid	10000	Bills Payable	30000
Sales returns	5000	Purchase returns	5000
Purchases	250000	Discount received	2000
Carriage inward	5000		
Bad debts	6000		
Wages & salaries	70000		
	1210000		1210000

Prepare Income Statement for the year ended 31st March 2021 after considering the following:

1. Closing stock was ₹ 180000 at cost and ₹ 185000 at market price.
2. Depreciation on fixed assets charged during the year amounted to ₹ 20000.
3. Outstanding salaries were ₹15000 and office expenses paid in advance were ₹ 700.
4. Provision for taxation is to be made at ₹10000.
5. Write off ₹ 3000 as bad-debts.
6. Create reserve for doubtful debts at 10 % of debtors.
7. Directors decided to propose 10% dividend on equity shares.

Q. 2.

(10)

From the following balances of N Ltd. for the ended 31st March 2020 and 31st March 2021. Prepare Cash Flow Statement for the year ended 31st March 2021

Liabilities	As on 31/03/2020	As on 31/03/2021	Assets	As on 31/03/2020	As on 31/03/2021
Equity Share Capital	800000	1000000	Land	200000	400000
Profit & Loss Balance	60000	100000	Building	200000	180000
General Reserve	150000	200000	Plant & Machinery	500000	700000
12% Debentures	100000	200000	Sundry Debtors	600000	500000
Bills Payable	100000	200000	Stock	200000	400000
Sundry Creditors	820000	700000	Cash at Bank	300000	400000
Provision for Taxation	70000	100000	Cash in hand	200000	120000
Proposed Dividend	100000	200000			
	2200000	2700000		2200000	2700000

Additional Information:

1. Income tax paid during the year amounted to ₹ 50000.
2. Depreciation charged on Plant & Machinery was ₹125000.
3. During the year machinery costing ₹ 50000, written down value ₹ 20000 was sold for ₹ 15000.

Q. 3.

(10)

Following is the Trial Balance of P Ltd as on 31st March 2021

Debit Balances	Amount	Credit Balances	Amount
Plant & Machinery	150000	10% Pref. Share Capital	40000
Land & Building	140000	Equity Share Capital	60000
Furniture	8000	General Reserve	28000
Current Investment	50000	7% Debentures	100000
Bills Receivables	20000	Sundry Creditors	30000
Sundry Debtors	22000	Bank overdraft	25000
Cash in hand	10000	Debenture Red. Reserve	35000
		Profit & Loss Balance	62000
		Bills Payable	20000
	400000		400000

Additional Information:

1. Stock as on 31st March 2021 was ₹ 83000.
2. Transfer ₹ 5000 to general reserve and ₹10000 to debenture redemption reserve.
3. Profit for the year after making provision for taxation of ₹10000 was ₹ 73000.
4. Directors proposed dividend of 10% on equity shares.

You are required to prepare Common Size Balance Sheet as on 31st March 2021.

Q. 4

(10)

C Ltd. has provided the following Trial Balances as on 31st March 2020 and 31st March 2021

Debit Balances	As on 31/03/2020	As on 31/03/2021	Credit Balances	As on 31/03/2020	As on 31/03/2021
Opening stock	80000	120000	Sales	690000	1000000
Purchases	300000	400000	General reserve	18000	62000
Wages	100000	160000	Equity share capital	600000	600000
Factory expenses	80000	100000	8% Pref. share capital	-	500000
Salaries	100000	120000	10% Debenture	100000	50000
Rent & rates	8000	10000	Bank loan	-	200000
Carriage outward	12000	10000	Creditors	32500	50000
Delivery expenses	15000	10000	Long term provisions	30000	24000
Interest on debenture	8000	4000	Interest received	500	1000
Bad-debts	1000	-	Prov. for depreciation	67000	80000
Travelling expenses	30000	34000	Discount on creditors	2000	3000
General expenses	10000	6000	Current liabilities	50000	80000
Fixed assets	500000	1200000			
Current investments	50000	80000			
Debtors	200000	239000			
Bank balance	80000	147000			
Bills receivables	16000	10000			
	1590000	2650000		1590000	2650000

You are required to prepare Comparative Income Statement for the year ended 31st March 2021 after taking into consideration the following adjustments:

1. Closing stock was valued at ₹ 90000 for the year ending 31st March 2020 and ₹ 100000 for the year ending 31st March 2021.
2. Make a provision of ₹ 4000 and ₹ 24000 for income tax for the year ending 31st March 2020 and 31st March 2021 respectively.
3. Provide for depreciation at 5 % p.a. on fixed assets.

Q. 5.

(10)

Following are the balances of R Ltd. as on 31st March 2021

Credit Balances	Amount	Debit Balances	Amount
Equity share capital	300000	Goodwill	50000
12 % Preference share Capital	145000	Land & Building	100000
8% Debentures	400000	Plant & machinery	640000
General reserve	100000	Long term Investments	200000
Profit & Loss Balance	100000	Prepaid expenses	25000
Outstanding expenses	175000	Cash in hand	20000
Sundry Creditors	240000	Stock	250000
Bank overdraft	150000	Sundry Debtors	415000
Provision for Taxation	155000	Bills receivables	45000
		Preliminary expenses	20000
	1765000		1765000

From the above information, calculate the following ratios.

1. Current ratio
2. Liquid ratio
- 3 Proprietary ratio
4. Capital gearing ratio

Q. 6. Write short notes on:

(10)

1. Objectives of financial statement analysis
2. Liquidity ratios
3. Cash flows from operating activities
4. Trend analysis
