



Question Bank

Unit 1: Financial Statement of Corporate Organisations

Q1) Answer the following Questions: (5 Marks each)

- a) What do you mean by Finance?
- b) Define Business Finance?
- c) What is meant by Financial Management?
- d) Define Financial Management?
- e) What do you mean by Financial Statement?
- f) Explain the need of Financial Statement?
- g) What is the importance of financial Statements to Creditors?
- h) What is the importance of financial Statements to managers?

Q2) Answer the following Questions: (10 Marks each)

- a) What do you mean by Finance? Explain the need & Importance of financial statements.
- b) What do you mean by Financial Statements of a Company? Explain the concepts and conventions followed in the preparation of Financial Statement.
- c) Prepare the format of Statement of Profit & Loss & Balance Sheet as per Revised Schedule VI of Companies Act 2013.
- d) Explain the major changes related to Balance Sheet as per revised schedule VI of Companies Act 2013.
- e) Explain the major changes related to Statement of Profit and Loss as per revised schedule VI of Companies Act 2013.



Unit 2: Introduction to Analysis and Interpretation of Financial Statements

Q1) Answer the following Questions: (5 Marks each)

- a) What do you mean by financial Statement Analysis?
- b) Define Financial Statement Analysis?
- c) What do you mean by Common Size Statements?
- d) What do you mean by Comparative Statements?
- e) What is Trend Analysis?
- f) What is Ratio Analysis?
- g) Explain the Objectives of Financial Statement analysis?
- h) Define Cash Flow & Fund Flow Statement.
- i) Explain in detail the limitations of Financial Statement Analysis?
- j) Explain why labour Unions are interested in the Analysis of Financial Statement?

Q2) Answer the following Questions: (10 Marks each)

- a) What do you mean by Analysis and Interpretation of Financial Statement? Explain the techniques of Financial Analysis.
- b) Define Financial Statement Analysis. Explain the objectives of Financial Analysis.
- c) Why is Financial Analysis required? Discuss its limitations also.
- d) Explain in detail the various users of Financial Statement Analysis.
- e) Explain the advantages and disadvantages of Common Size Statement?
- f) Explain the advantages and disadvantages of Comparative Statements?
- g) Define Cash Flow and Fund Flow Statement. What is the difference between these two?
- h) Explain the advantages of using Ratio Analysis as a tool for Financial Statement Analysis?
- i) Explain in detail the Trend Analysis.
- j) Explain the significance of financial Statement Analysis to Top Management and Finance Manager?



Unit 3: Ratio Analysis

Q1) Answer the following Questions: (5 Marks each)

- What is Ratio Analysis?
- What does debt service coverage ratio indicate?
- What is the formula for calculating interest coverage ratio?
- What do you mean by Liquidity Ratios?
- What do you mean by Solvency Ratios?
- What is the meant by Debtor Turnover Ratio? What is the formula for calculating it?
- Explain the advantages of using Ratio Analysis as a tool for Financial Statement Analysis?

Q2) Answer the following Questions: (10 Marks each)

- a) From the following information, calculate –
- Trade receivables turnover ratio
 - Average collection period
 - Trade payable turnover ratio
 - Average payment period

Given:	(Rs.)
Revenue from Operations	8,75,000
Creditors	90,000
Bills receivable	48,000
Bills payable	52,000
Purchases	4,20,000
Trade debtors	59,000



b) From the following information calculate Total Asset Turnover Ratio, Fixed Asset Turnover Ratio, Capital Turnover Ratio, Current Assets Turnover Ratio, and Working Capital Turnover Ratio.

Particulars	Amount	Particulars	Amount
Equity share capital	1500000	Building	1200000
Preference share capital	900000	Machinery	1300000
General Reserve	200000	Office furniture	250000
Profit	500000	Motor Van	500000
12% Debentures	300000	Inventory	420000
10% Bank loan	300000	Debtors	260000
Creditors	420000	Cash and bank	175000
Outstanding salary	25000	Sales	5200000

c) An Economist is comparing the operating ratios of different firms in the same industry. He gets the following data: Calculate the operating expenses for each of these firms. Which firm has the highest degree of operating efficiency?

Firm	Net Sales	Operating Ratio
A	\$50,000	60.00%
B	\$10,000	70.00%
C	\$40,000	50.00%
D	\$10,000	80.00%
E	\$100,000	70.00%
F	\$60,000	70.00%
G	\$20,000	40.00%

d)	Rs.
Equity Shares of Rs 100 each	10,00,000
12% Preference shares of Rs.10 each	5,00,000
Profit after tax	4,00,000
Equity dividend paid	20%
Market price of equity shares	120



Calculate

- Dividend yield on equity shares
- Cover for preference shares & equity dividend
- Earning per equity shares
- Price earning ratio

e) Alpha and Beta are two companies operating in the same line of business of Leather Shoe Manufacturing which has furnished certain details from their Balance Sheet at the end of the year. Let's analyze the Solvency of the two business based on the same.

	Alpha Company	Beta Company
Common Stock (1\$ par value) (1)	\$550,000	\$500,000
Preferred Stock (2)	\$150,000	\$200,000
Retained Earnings (3)	\$800,000	\$700,000
Total Equity (1+2+3)	\$1,500,000	\$1,400,000
Current Assets (A)	\$1,500,000	\$1,700,000
Long Term Assets/Non Current Assets (B)	\$1,500,000	\$1,200,000
Total Assets (A+B)	\$3,000,000	\$2,900,000
Short Term Debt (C)	\$600,000	\$1,000,000
Long Term Debt (D)	\$900,000	\$500,000
Total Debt (C+D)	\$1,500,000	\$1,500,000

f) From the following information, calculate Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio, and Debt to Capital Employed Ratio:

Balance Sheet as at March 31, 2015

Particulars	Note No.	Rs.
I. Equity and Liabilities:		
1. Shareholders' funds		
a) Share capital		4,00,000
b) Reserves and surplus		1,00,000
2. Non-current Liabilities		



Long-term borrowings		1,50,000
3. Current Liabilities		50,000
		7,00,000
II. Assets		
1. Non-current Assets		
a) Fixed assets		4,00,000
b) Non-current investments		1,00,000
2. Current Assets		2,00,000
		7,00,000

g) Following information is given by a company from its books of accounts as on March 31, 2015:

Particulars	Rs.
Inventory	1,00,000
Total Current Assets	1,60,000
Shareholders' funds	4,00,000
13% Debentures	3,00,000
Current liabilities	1,00,000
Net Profit Before Tax	3,51,000
Cost of revenue from operations	5,00,000

Calculate: i) Current Ratio ii) Liquid Ratio iii) Debt Equity Ratio iv) Interest Coverage Ratio v) Inventory Turnover Ratio

h) From the following information calculate (i) Earning per share (ii) Book value per share (iii) Dividend payout ratio (iv) Price earning ratio

Particulars	Rs.
70,000 equity shares of Rs 10 each	7,00,000
Net Profit after tax but before dividend	1,75,000
Market price of a share	13
Dividend declared @ 15%	



i)

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital	2,00,000	Land and Buildings	1,40,000
Profit & Loss Account	30,000	Plant and Machinery	3,50,000
General Reserve	40,000	Stock	2,00,000
12% Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills Payable	50,000	Cash at Bank	40,000
	8,40,000		8,40,000

Calculate :

- (1) Current Ratio
- (2) Quick Ratio
- (3) Inventory to working Capital
- (4) Debt to Equity Ratio
- (5) Proprietary Ratio
- (6) Capital Gearing Ratio
- (7) Current Assets to Fixed Assets

**Unit 4: Cash Flow Statement****Q1) Answer the following Questions: (5 Marks each)**

- What is meant by cash flow statement?
- State the importance of Cash Flow Statement?
- What are the various activities performed in cash flow statement?
- Explain the concept of Cash inflow and cash outflow?
- What are some of the typical cash inflows from operating activities?
- What are some of the typical cash outflows from operating activities?
- What are some of the typical cash inflows and cash outflows from investing activities?
- What are some of the typical cash inflows and Cash outflows from financing activities?
- Write down various non cash investing and financing activities?
- State the various limitations of Cash Flow Statement?

Q2) Answer the following Questions: (10 Marks each)

- From the following information of a public company as on 31st March, 2006 prepare a cash flow statement showing Net Cash from Operating Activities.

Liabilities	2006	2007	Assets	2006	2007
Capital:			Fixed Assets	7,10,000	8,20,000
Equity Capital	4,00,000	6,50,000	10% Investments	1,00,000	80,000
10% Preference shares	2,00,000	3,00,000	Current Assets	2,70,000	3,40,000
12% Debentures	1,00,000	2,00,000	Profit and Loss A/c	----	1,00,000
Profit and Loss A/c	2,00,000	----	Goodwill	10,000	15,000
General Reserve	1,50,000	1,20,000	Discount on Issue of Shares	30,000	25,000
Current Liabilities	70,000	1,10,000			
	11,20,000	13,80,000		11,20,000	13,80,000

- Depreciation provided during the year was Rs.1,35,000.
- Tax made during the year is Rs.20,000
- Dividend paid during the year Rs.15,000



b) From the following information, calculate Cash Flow from Financing Activities:

	1st April, 2018	31st March, 2019
Long-term Loan	2,00,000	2,50,000

During the year, the company repaid a loan of Rs. 1, 00,000.

c) From the following Balance Sheets of X Ltd, prepare Cash Flow Statement:

Liabilities	31/3/06 (Rs.)	31/3/07 (Rs.)	Assets	31/3/06 (Rs.)	31/3/07 (Rs.)
Equity Share Capital	2,00,000	3,50,000	Fixed Assets (Net)	6,10,000	8,60,000
15% Pref. Share Capital	2,00,000	1,50,000	Investments (long term)	30,000	50,000
12% Debentures	1,25,000	2,00,000	Investments (Short term)	5,000	8,000
Reserves	1,10,000	2,50,000	Debtors	80,000	61,000
Bank Overdraft	10,000	12,000	Bank	5,000	2,000
Current Liabilities	83,000	15,000	Cash	1,000	8,000
Tax Provisions	11,000	18,000	Discount on Shares	8,000	6,000
	7,39,000	9,95,000		7,39,000	9,95,000

Additional information:

- ❖ Preference Shares were redeemed on 31/3/07 at premium of 10%.
- ❖ Dividend at 12% was paid to Equity shares for the year 2006.
- ❖ Depreciation provision stood at Rs.1,00,000 and Rs.1,50,000 on 31/03/06 and 31/03/07

d) From the following extracts of Balance Sheet of Exe Ltd., calculate Cash Flow from Financing Activities:

Particulars	31 st March,2019 (₹)	31 st March,2018 (₹)
Equity Share Capital	5,25,000	4,00,000
10% Preference Share Capital	4,00,000	5,50,000
Securities Premium Reserve	2,25,000	1,00,000
12% Debentures	4,00,000	3,00,000

**Additional Information:**

1. Equity Shares were issued on 31st March, 2019.
2. Interim dividend on Equity Shares was paid @ 15%.
3. Preference Shares were redeemed on 31st March, 2019 at a premium of 5%. Premium paid was debited to Statement of Profit and Loss.
4. 12% Debentures of face value ₹ 1, 00,000 were issued on 31st March, 2019.

e) From the following information, calculate Net Cash Flow from Operating Activities and Financing Activities:

Particular	31 st March 2019 (₹)	31 st March 2018 (₹)
Equity Share Capital	13,75,000	11,25,000
5% Preference Share Capital	5,00,000	7,50,000
General Reserve	3,75,000	3,00,000
Surplus i.e., Balance in Statement of Profit and Loss	3,75,000	(3,50,000)
Securities Premium Reserve	25,000	...
Provision for Tax	1,00,000	50,000
Non-current Liabilities (8% Debentures)	6,50,000	3,75,000
Short-term Borrowings (8% Bank Loan)	1,00,000	1,25,000
Trade Payables	5,00,000	2,50,000
Trade Receivables and Inventories	13,00,000	11,50,000

Additional Information:

- (i) During the year additional debentures were issued at par on 1st October and Bank Loan was repaid on that date.
- (ii) Dividend on Equity Shares @ 8% was paid on Opening Balance.
- (iii) Income tax ₹ 1, 12,500 has been provided during the year.
- (iv) Preference shares were redeemed at par at the end of the year.

**Unit 5: Fund Flow Statement****Q1) Answer the following Questions: (5 Marks each)**

- Explain the concept of funds.
- What do you mean by Fund flow statement?
- What do you mean by Current assets and Current Liability?
- Explain the concept of Working Capital?
- Write the importance of Fund flow statement.
- What are the various limitations of fund flow statement?
- Prepare the format of schedule of changes in working capital/
- Prepare the format of fund flow statement.
- Write down the difference between Cash flow statement and Fund flow statement?

Q2) Answer the following Questions: (10 Marks each)

- The following are the summaries of the balance sheets of the Bharat Vijay Ltd. as on 31-12-19 and 31-12-20.

Liabilities	2019 Rs.	2020 Rs.	Assets	2019 Rs.	2020 Rs.
Share capital	3,00,000	4,00,000	Buildings	1,20,000	2,50,000
Debentures	2,00,000	2,50,000	Machinery	3,00,000	2,60,000
Profit & Loss A/c	40,000	60,000	Stock	90,000	80,000
Creditors	70,000	80,000	Debtors	1,40,000	2,40,000
Bank overdraft	25,000	25,000	Prepaid expenses	15,000	25,000
Provision for Taxation	30,000	40,000			
	6,65,000	8,55,000		6,65,000	8,55,000

The following additional information is obtained:

- The net profit for the year was Rs. 40,000 after charging depreciation.
- During the year depreciation charged was Rs. 30,000 on building and Rs. 40,000 on machinery.
- The company purchased during the year buildings worth Rs. 1, 60,000.
- Dividend paid during the year amounted to Rs. 20,000.



From the above information, prepare a statement of sources and application of funds for the year 2020.

b) The comparative balance sheet of Iceland's Ltd. as at 31st December, 2017 and 2018 are as under:

Liabilities	2017 Rs.	2018 Rs.	Assets	2017 Rs.	2018 Rs.
Share capital	10,00,000	15,00,000	Building at cost	7,50,000	11,50,000
Share premium	-	50,000	Machinery (Less depreciation)	8,75,000	11,25,000
P & L A/c	2,00,000	4,25,000	Investments	1,00,000	1,00,000
5% debentures	5,00,000	3,80,000	Stock	2,25,000	2,45,000
Creditors	3,00,000	5,20,000	debtors	75,000	90,000
Prov. for Taxation	1,00,000	25,000	Bank balance	1,25,000	2,40,000
Proposed dividend	50,000	50,000			
	21,50,000	29,50,000		21,50,000	29,50,000

The additional information is as under:

1. During the year 2018 the company sold machinery costing Rs. 75,000 for Rs. 25,000. The accumulated depreciation on the said machinery was Rs. 40,000.
2. Depreciation written off during the year 2018 was Rs. 90,000.
3. Taxation paid during the year amounted to Rs. 90,000.

From the above information prepare a statement of Sources and Application of Funds for the year 2018.

c) You have been given the following financial statements of Adarsh Eng. Co. Ltd. as at 31st December, 2012 and 2013.

Liabilities	2013 Rs.	2012 Rs.	Assets	2013 Rs.	2012 Rs.
Sundry creditors	2,98,000	2,51,450	Cash at bank	45,000	1,30,000
Prov. for taxation	1,72,000	65,000	Sundry debtors	1,40,000	90,700
Bank loan (secured)	-	87,000	Stock	1,96,000	1,42,500
Res. and surplus	3,12,000	1,48,000	Fixed assets (less dep)	6,00,000	3,60,000
Share capital (Rs. 100 shares)	2,30,000	1,97,000	Investments	10,000	11,250
			Pre-paid expenses	21,000	14,000
	10,12,000	7,48,450		10,12,000	7,48,450



The following further information is available from the records:

(a) The position in respect of Reserves and Surplus is as under:

	Rs.
Balance on 1st January, 2013	1, 48,000
Net Profit for the year	1, 98,500
	3, 46,500
Less: dividend	34,500
	3, 12,000

(b) On 31-12-13 the accumulated depreciation on fixed assets was Rs. 1, 80,000 and on 31-12-12 Rs. 1, 60,000. Machinery costing Rs. 20,000 which was half depreciated was discarded and written off in 2012; Depreciation for the year 2013 amounted to Rs. 30,000.

(c) Investment costing Rs. 5,000 were sold during the year 2013 for Rs. 4,800 and government securities of the face value Rs. 4,000 were purchased during the year for Rs. 3,750.

You are required to prepare

- (1) Statement of sources and application of funds and
- (2) Statement showing details the item-wise increase or decrease in net working capital.

d) The balance sheet of Mira Ltd. is as under:

Liabilities	2016 Rs.	2015 Rs.	Assets	2016 Rs.	2015 Rs.
Share capital:			Building	4,80,000	3,45,000
Eq. shares each of Rs. 10	15,00,000	12,00,000	Stock	2,34,000	2,44,000
10% pref. shares of Rs. 10 each Rs. 8 called up	-	8,00,000	Land	2,00,000	4,00,000
Share premium	-	30,000	Plant	17,00,000	15,00,000
Capital reserve	50,000	-	Debtors	8,46,000	10,56,000
Capital Red. Fund	7,00,000	-	Cash balance	2,00,000	1,55,000
General reserve	4,00,000	9,00,000	Prepaid expenses	30,000	25,000
P & L A/c	5,00,000	4,00,000	Bills receivable	60,000	35,000
Provident fund	1,00,000	80,000	Mis. expenses	2,50,000	2,40,000
Creditors	1,50,000	2,00,000			
Bills payable	6,00,000	3,90,000			
	40,00,000	40,00,000		40,00,000	40,00,000



Additional information:

1. During the year 2016 the company decided to value stock at cost where as previously the Practice was to value stock at cost less 10%. The stock on 31-12-16 was correctly valued.
2. During the year, the company has redeemed Red. Pref. Shares at 5% premium after complying necessary requirements of the Act. For this purpose the company transferred Rs. 7, 00,000 to capital redemption fund from general reserve and necessary new equity shares were issued.
3. The company declared a dividend at 25% to equity share holders.
4. Rs. 1, 50,000 were provided for depreciation on plant. During the year one plant, whose book value was Rs. 50,000 was sold at a loss of Rs. 10,000.
5. A piece of land has been sold out and profit was transferred to capital reserve.

From the above information prepare:

- (A) A statement of sources and applications of funds.
- (B) A statement of changes in working capital.

e) From the following balance sheets of Bhairav Ltd. prepare:

- (a) A statement showing changes in working capital
- (b) A statement of source and application of funds.

Liabilities	31-3-18 Rs.	31-3-19 Rs.	Assets	31-3-18 Rs.	31-3-19 Rs.
Creditors	39,520	41,135	Cash at bank	2,520	4,820
Bills payable	33,780	12,645	Debtors	85,175	72,625
Bank-overdraft	59,510	-	Sundry	2,315	735
Provision for taxation	40,000	50,000	Advances	1,11,040	97,370
Reserve	50,000	55,000	Stock	1,48,500	1,44,250
P & L A/c	39,690	36,220	Land- building	1,12,950	1,16,200
Equity shares capital	2,00,000	2,60,000	Plant	-	19,000
	4,62,500	4,55,000	Goodwill	4,62,500	4,55,000

Additional information:

1. During the year taxes and interim dividend paid were Rs. 35,000 and Rs. 39,000 respectively.
2. The assets of another company were purchased for Rs. 60,000 payable in fully paid equity shares of the company. The assets consisted of stock Rs. 21,640, plant Rs. 18,360 and remaining amount was for goodwill.
3. During the year the purchase price is Rs. 5,650 for a plant.

.....**Thank You**.....