

2007

COMMERCE

SECOND PAPER

(Financial Statement Analysis)

Full Marks: 80

Time: 3 hours

The figures in the margin indicate full marks for the questions

1. (a) Write the meaning of 'Revenues from Central Operations'. 2
(b) What is meant by 'Reliability' of accounting information? 2
(c) What is 'Flow of Fund'? 2
(d) Fill in the blank: 2
 Long-term Fund minus Fixed Assets = _____
(e) Explain the meaning of EPS. 2
2. Answer any five: 6×5=30
 - (a) Briefly explain the techniques of inventory control.
 - (b) Describe the 'operating cycle' concept of working capital.
 - (c) Discuss the main features of Accounting Standard 1 'Disclosure of Accounting Policies'.
 - (d) Describe the utility of using 'comparative statement'.
 - (e) Explain the significance of Debtors Turnover and Inventory Turnover Ratios.
 - (f) Are International Accounting Standards superior to Indian Accounting Standards? Explain with reasons.
 - (g) What are the limitations of Financial Statements?
 - (h) What are the uses of Accounting Ratios in business decision making?
3. Write short notes on any four: 5×4=20
 - (a) Financial Structure Analysis
 - (b) Trading on Equity
 - (c) Valuation of Fixed Assets
 - (d) Uses of Cash Flow Statement
 - (e) Reasons for Profit Variation
 - (f) Methods of Demand Forecasting
4. Answer anyone:
 - a) A company has owner's equity of Rs.1,00,000. It has supplied the following accounting ratios:
 - Current Debt to Total Debt = 0.40
 - Total Debt to Owner's Equity = 0.60
 - Fixed Assets to Owner's Equity = 0.60
 - Total Assets Turnover = 2 times

Inventory Turnover = 8 times

With these information, you are required to prepare a summarised Balance Sheet of the company.

b) Prepare a Cash Flow Statement with the following information :

Balances as on 31.3.2006

	Rs
Cash and Bank	9,000
Fixed Assets	45,000
Inventory	60,000
Accounts Receivables	36,000
Misc. Current Assets	40,000
Capital (10000 shares)	1,00,000
Long-term Loan	40,000
Short-term Loan	20,000
Reserve and Surplus	30,000

Balances as on 31.3.2007

	Rs
Cash and Bank	28,000
Fixed Assets	40,000
Inventory	70,000
Accounts Receivables	44,000
Misc. Current Assets	6,000
Capital (10000 shares)	1,00,000
Long-term Loan	70,000
Short-term Liabilities	30,000
Reserve and Surplus	28,000

During the year 2006-07, Interim Dividend of Rs 50,000 was distributed. There was no sale or purchase of fixed assets.
