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14 (COM-1) COM 1026

2017

**FINANCIAL REPORTING AND
ANALYSIS**

Paper : COM 1026

Full Marks : 80

Time : Three hours

***The figures in the margin indicate
full marks for the questions.***

1. Select the most appropriate answer from the multiple choices given against each :

1×5=5

(a) Which of the following is not the Fundamental Accounting Assumption as per AS 1 issued by the ICAI ?

- (i) Entity Concept
- (ii) Going Concern Concept
- (iii) Consistency Concept
- (iv) Accrual Concept.

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Contd.

(b) Consider the following statements :

A : Accounting, Standard 6 'Depreciation Accounting' is no longer applicable.

B : Accounting Standard 6 is revised and issued as 'Property, Plant and Equipment'.

Select the correct answer from the codes given below :

(i) Both A and B are correct

(ii) Both A and B are incorrect

(iii) Only A is correct

(iv) Only B is correct.

(c) The International Accounting Standards Committee Foundation is renamed as :

(i) IASB Foundation

(ii) IFRS Foundation

(iii) IAS Foundation

(iv) IFAS Foundation.

(d) As per Accounting Standard 2, which of the following methods are prescribed for valuation of Inventory ?

(i) FIFO and LIFO

(ii) LIFO and Weighted Average

(iii) FIFO and Weighted Average

(iv) FIFO and Standard Cost.

- (e) 'Trading on Equity' means :
- (i) Trade of equity shares in the stock exchanges
 - (ii) Use of borrowed capital alongwith equity capital in the capital structure
 - (iii) Capital structure composed of only equity share capital
 - (iv) Doing business by the partners on equal sharing basis.

2. Answer the following very briefly :

5×3=15

- (a) Explain the meaning of 'Worth of Equities' giving suitable example.
- (b) What is meant by 'Notes to the Accounts' in the context of corporate annual report? Give example.
- (c) Mention *three* important objectives of issuing IFRS.

3. Answer the following : **(any three)**

8×3=24

- (a) Discuss briefly the process of issuing International Financial Reporting Standards.

(b) "Current Ratio may be interpreted from two view points — Liquidity and Profitability". Elucidate the statement.

(c) Write a critical note on Segmental Reporting.

(d) Discuss the procedure of valuing inventory as per the provisions of AS-2.

4. Answer the following : **(any three)**

(a) Discuss the conceptual framework for financial reporting issued by the IASB highlighting the following issues :

(i) Qualitative characteristics of financial information

(ii) Measurement of assets and liabilities reported in financial statements. 6+6

(b) Write short notes on : 6+6

(i) Directors' Report

(ii) Inter-firm Comparison.

(c) Bapu Ltd. supplied the following Balance Sheet as on 31.03.2017 :

Items	Rs.
Equity Share Capital	20,00,000
8% Pref. Share Capital	5,00,000
Reserve and Surplus	5,00,000
10% Debentures	10,00,000
12% Bank Loan	5,00,000
Accounts Payables	5,00,000
Liabilities for Expenses	50,000
Bank Overdraft	50,000
	<u>51,00,000</u>

Items	Rs.
Land and Building	16,00,000
Plant and Machinery	10,00,000
Furnitures	3,00,000
Other Fixed Assets	2,00,000
Inventory	10,00,000
Accounts Receivables	8,00,000
Pre-Paid Expenses	50,000
Advance Salary	1,00,000
Cash in hand	50,000
	<u>51,00,000</u>

Examine the above Balance Sheet and interpret it from the viewpoint of
 (i) Solvency Position, (ii) Leverage and
 (iii) Liquidity. 4+4+4=12

(d) Trade and Trade Ltd. supplied the following information for the year 2015 and 2016.

	2015 Rs.	2016 Rs.
Sales (all credit)	10,00,000	14,00,000
Opening balances :		
Stock	50,000	75,000
Debtors	1,00,000	1,50,000
Closing balances :		
Stock	75,000	80,000
Debtors	1,50,000	1,00,000
Direct Expenses :	1,00,000	2,00,000
Indirect Expenses :	2,00,000	3,00,000

The capital structure of the company is comprised of 50,000 equity shares of Rs. 10 each. Rate of tax is 30 per cent. Dividend declared in 2015 was 30% and in 2016 was 40%. Working days in a year 300 days.

You are required to calculate and interpret the following ratios :

- (i) Stock Velocity
- (ii) Debtors's Velocity
- (iii) Gross Profit Ratio

- (iv) Net Profit Ratio
 - (v) Earning per share
 - (vi) Dividend per share. 12
- (e) Highlight the main provisions of Schedule III of Companies Act 2013 regarding the preparation and presentation of Balance Sheet of a company. 12
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