

**POST-GRADUATE COURSE**  
**Term End Examination : June, 2017**  
**COMMERCE**  
**Paper-XV : Financial Statement Analysis & Reporting**

Time : 2 Hours

Full Marks : 50

( Weightage of Marks : 80% )

*Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.*

**MODULE – I**

Answer any two questions :  $12 \frac{1}{2} \times 2 = 25$

1. a) What do you mean by financial statement analysis ? Discuss the major objectives of analyzing financial statements.  
 b) Compare the new versus traditional approach to financial statement analysis.

$( 3 + 5 ) + 4 \frac{1}{2}$

2. a) Explain in brief the procedure for preparing the common-size statements. What are the limitations of such statement ?  
 b) With the help of the following information for the year ended 31st March 2016, prepare a 'Common-size statement' :

Administrative Expenses	Rs. 20,000
Selling & Distribution Expenses	Rs. 10,000
Cost of Sales	75% of Net Sales
Income Tax	20% of Net Profit before tax
Net Income after Tax	Rs. 48,000
Other income	Rs. 10,000

$( 3 + 2 \frac{1}{2} ) + 7$

3. a) How would you explain the difference between Return On Equity (ROE) and Return On Net Assets (RONA) in terms of financial leverage and operating spread ?  
 b) What do you mean by transitory earnings ? Give two examples. Why should an analyst distinguish the part of earnings that is sustainable ? Give reasons.

$6 + ( 3 + 1 + 2 \frac{1}{2} )$

4. a) The following are the Balance Sheet of Skyway Ltd. Prepare a cash flow statement for the year ended 31-03-2016 as per AS-3 :

<b>Liabilities</b>	<b>31-03-2015</b>	<b>31-03-2016</b>
	<b>Rs.</b>	<b>Rs.</b>
Equity capital	2,02,500	2,02,500
General Reserve	1,35,000	1,39,500
Profit & Loss A/c	25,200	30,600
Secured Loan	—	1,21,500
Creditors	75,600	60,300
Provision for tax	33,750	4,500
	<b>4,72,050</b>	<b>5,58,900</b>

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<b>Assets</b>	<b>31-03-2015</b>	<b>31-03-2016</b>
	<b>Rs.</b>	<b>Rs.</b>
Fixed Assets	1,80,000	1,44,000
Investments	22,500	27,000
Stock	1,08,000	94,500
Debtors	94,500	2,04,750
Bank	67,050	88,650
	<b>4,72,050</b>	<b>5,58,900</b>

Additional Information :

- (i) Sale of investments worth Rs. 3,600, at Rs. 3,825 in 2015-2016
- (ii) Provision for tax during 2015-16 Rs. 4,050
- (iii) Dividend paid during the year 2015-16 amounted to Rs. 18,000
- (iv) Fixed assets costing Rs. 4,500 were sold for Rs. 5,400 and the gain was included in Profit & Loss A/c.
- b) State the various cash return ratios and quality of income ratios.  $10 + 2\frac{1}{2}$

### MODULE – II

Answer any *two* questions :  $12\frac{1}{2} \times 2 = 25$

5. a) Discuss the empirical tests that may be conducted to determine the form of efficiency in a stock market.
- b) Explain, in brief, the anomalies of efficient stock market hypothesis.  $8 + 4\frac{1}{2}$

6. a) Discuss different types of risks associated with bond holding. Explain the model for prediction of bond risk premium.
- b) What do you mean by credit rating ? How composite credit score is obtained ?

$$(4 + 4) + (2 + 2\frac{1}{2})$$

7. a) Define merger. How does it differ from acquisition or takeover ? Explain the various forms of merger.
- b) How does cash offer compare with a share exchange offer as the means of financing a merger ?  $(2 + 2 + 4) + 4\frac{1}{2}$

8. a) What are the different areas where information are voluntarily disclosed by the Indian companies ?
- b) Discuss the statutory requirements for disclosure of financial information by the Indian companies.  $4\frac{1}{2} + 8$