Dr. Babasaheb Ambedkar Open University
Term End Examination July – 2018

Course	:	**PGDF**	**Date**	:	**20-07-18**
Subject Code	:	**PGDF-203**	**Time**	:	**11:00am to 02:00pm**
Subject Name	:	**Financial Statement Analysis**	**Duration**	:	**03 Hours**
			Max. Marks	:	**70**

Section A

Answer the following (Attempt any three) **(30)**

1. Explain Balance Sheet analysis OR Income Statement Analysis
2. Define the term 'Financial Statement Analysis'. Discuss various methods/tools used for the analysis of financial statements.
3. Explain Portfolio Analysis OR Risk analysis.
4. Discuss about advantages and limitations of Ratio analysis.
5. What do you mean by 'Pension'? Explain the key economic assumptions for deciding the pension cost, in detail.

Section B

Answer the following (Attempt any four) **(20)**

1. Explain key steps of stress testing.
2. Explain relationship between constituents of financial statements.
3. Explain importance of financial Accounting.
4. From the following data calculate
   A) Gross Profit Ratio
   B) Net Operating Profit Ratio
   C) Stock Turnover Ratio
   Also interpret them. Sales: Rs. 48,00,000 Gross Profit: Rs. 24,00,000 Operating Expenses: Rs. 16,00,000 Opening Stock of Finished goods: Rs. 4,00,000 Closing Stock of Finished goods: Rs. 6,00,000
5. Discuss measures of liquidity.
6. Write a short note on 'Auditors' Report' and 'Notes to Accounts'.

Section C

Part – A (Multiple Choice Questions) **(10)**

1 A firm has a higher quick (or acid test) ratio than the industry average, which implies

A	the firm has a higher P/E ratio than other firms in the industry	B	the firm is more likely to avoid insolvency in short run than other firms in the industry
C	the firm may be less profitable than other firms in the industry.	D	Both B and C

2 An example of a liquidity ratio is

A	Fixed Asset Turnover	B	Current Ratio
C	Acid Test Ratio	D	Both B & C

3 _____a snapshot of the financial condition of the firm at a particular time.

A The Balance sheet provides
B The income statement provides
C The statement of cash flows provides
D All of the above provide

4 _____ of the cash flow generated by the firm's operations, investments and financial activities.

A The Balance sheet is a report
B The income statement is a report
C The statement of cash flows is a report
D the auditors statement of financial condition

5 If you wish to compute economic earnings and are trying to decide how to account for inventory,_____

A FIFO is better than LIFO
B LIFO is better than FIFO
C FIFO and LIFO are equally good
D none of the above

6 If the interest rate on debt is lower than ROA, then a firm will _____by increasing the use of debt in the capital structure

A increase the ROE
B increase the ROE
C change the ROE in an indeterminable manner
D none of the above

7 The Term financial statement refers to.

A Income statement
B Cash flow and Fund Flow
C Balance sheet
D All

8 In financial statements, the fixed assets are Shown at

A Market Price
B Cost Price
C Replacement Price
D None

9 What Is followed while preparing the financial statements?

A Accounting Convention
B Accounting Principles
C Accounting Concepts
D All

10 The Balance sheet shows

A The source of working capital
B The change in working capital
C Both
D None

Part – B (Do as Directed) (10)

1 Draw a vertical Balance sheet with imaginary figures
2 Explain FIFO inventory method with illustration
3 Draw cash Budget with imaginary figures.
4 Explain meaning and computation of Acid Test ratio
5 State any four limitations of Ratio analysis.