

Dr. Babasaheb Ambedkar Open University
Term End Examination January – 2019

Course	: PGDF	Date	: 15/02/2019
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. Discuss about utility and limitations of Ratio analysis.
2. What are advantages and limitations of Financial accounting? Discuss
3. Explain LIFO inventory method with illustration .
4. From the following data, calculate trend percentages (1999 as base)

Particulars	1999	2000	2001
	Rs.	Rs.	Rs.
Cash	200	240	160
Debtors	400	500	650
Stock	600	800	700
Other Current Assets	450	600	750
Land	800	1,000	1,000
Buildings	1,600	2,000	2,400
Plant	2,000	2,000	2,400

5. From the following information, prepare a vertical Income Statement.

Sales	2,00,000
Opening stock	10,000
Closing stock	15,000
Purchases	40,000
Operating Expenses	12,000
Non-Operating Expenses	4,000

Rate of Tax 50%

Section B

Answer the following (Attempt any four)

(20)

1. What are three key economic assumptions determine pension costs.
2. Explains Base – Bear – Bull scenarios.
3. Highlight two sources of long-term debts available to a firm.

4. Briefly explain the importance of cash flow statement to a business entity.
5. Explain key steps of stress testing.
6. Explain the justification for requiring lessees to capitalize certain long-term leases.

Section C

Part – A (Multiple Choice Questions)

(10)

- 1 Interpretation of accounts is the

A Art and science of translating the figures	B To know financial strengths and weaknesses of a business
C To know the causes for the prevailing performance of business	D All of the above
- 2 Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?

A Ratio Analysis	B Average Analysis
C Trend Analysis	D All of the above
- 3 Which of the following statements are true?

A) External analysis depends entirely on issued financial statements.

B) Interpretation and analysis both are different.

C) Financial analysis covers interpretation.

A Both A and B	B Both A and C
C Both C and B	D A, B, C
- 4 Which of the following statements are true?

A) Common-size balance sheet shows relative value of the various items.

B) In the common size income statement, each product is represented as a percentage of the net sales figure.

C) Common size income statements represent the various elements as a percentage of the gross profit.

A Both A and B	B Both A and C
C Both C and B	D A, B, C
- 5 Analysis of any financial Statement comprises

A Balance sheet	B P&L Account
C Trading account	D All of the above
- 6 Comparison of financial statements highlights the trend of the _____ of the business.

A Financial position	B Performance
C Profitability	D All of the above
- 7 A technique that is used in comparative analysis of financial statement is

A graphical analysis	B preference analysis
C Common size analysis	D Returning analysis
- 8 Low price for earning ratio is result of

A low riskier firms	B High riskier firms
C Low dividend paid	D High marginal rate

- 9 Total assets divided by common equity is a formula used for calculating
A Equity multiplier B Graphical multiplier
C Turnover multiplier D Stock multiplier
- 10 Price per share divided by earnings per share is formula for calculating
A price earning ratio B Earning price ratio
C Pricing ratio D Earning ratio

Part – B (Do as Directed)

(10)

Comparative Financial Statement

- 1 Ratio Analysis
- 2 Return on capital
- 3 Fund Flow Statement
- 4 Trend Analysis
- 5 Revenue from operations
- 6 Tangible Assets
- 7 License fees
- 8 Trade Payable
- 9 Finance Manager
- 10 Cross Sectional Analysis