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Jamia Hamdard
School of Management and Business Studies
Department of Management
B.Com (Hons.) VI Semester Examination - July 2023
Paper: BCH610 : Financial Reporting & Analysis

Duration: 3 Hour   Max.Marks -75

Section A - Short Answer   **(5X6=30)**

Note: Attempt any Six Questions, All questions carry equal marks

Q1: On June 30, 2017, Sima Limited borrowed Rs 1,00,000 at the interest rate of 10 percent per annum payable at six monthly intervals. There is a moratorium on repayment of the loan. The loan is to repaid in five yearly instalments starting from June 30, 2020. It paid interest of Rs 5,000 on December 31, 2017 and interest of Rs 5,000 is payable on June 30, 2018. How should Sima Limited account for the interest on loan for the year ending March 31, 2018.

Q2: "The accountants should always balance between relevance and reliability in the preparation and presentation of financial statements." Explain.

Q3: FG Shipbuilders Ltd (FGSL) has received a contract for building a ship on November 30, 2016. It has received an advance of Rs 30 lakh from the customer. Before executing the contract, FGSL estimates that the aggregate cost required for executing the project is higher than the economic benefit to be obtained from it. Therefore, it decides not to honour the contract and pay the penalty specified in the contract which is Rs 50 lakh.
What is the liability to be recognized in the balance sheet as on March 31, 2017?

Q4: The Gross Profit Margin of a company is Rs. 12,00,000 and the operating expenses are Rs. 4,50,000. The taxes to be paid are Rs. 4,80,000. The sales for the year are Rs. 27,00,000. Calculate Net Profit Margin.

Q5: If the net operating profit of a business is Rs 90,000 and the debtors have decreased during the year by Rs 30,000, calculate cash from operations. Differentiate between a fund flow statement and a cash flow statement.

Q6: Company M has current assets amounting to Rs 10 lakhs and current liabilities amounting to Rs 9 lakhs. Company N's working capital is Rs 1 lakh which is constituted of current assets of Rs 2 lakh and current liabilities of Rs 1 lakh. Comment on the liquidity position of both the companies.

Q7: Explain the categories of companies that are required to prepare financial statements as per Schedule III of the Companies Act, 2013.

Q8: The current ratio of a company is 2:1. State giving reasons which of the following would improve, reduce or not change the ratio.

(i) Repayment of a current liability
(ii) Purchasing goods on cash
(iii) Sale of office equipment for Rs 4,000 (Book Value Rs 5,000)
(iv) Sale of goods for Rs 11,000 (cost Rs 10,000)
(v) Payment of dividend

Q9: "Z score is a useful screening, monitoring and attention directing tool." Discuss.

Section B-Long Answer **(15X3=45)**

Note: Attempt any Three Questions; All questions carry equal marks

Q1: From the extracts of the consolidated balance sheets of HUL, Infosys and Suzlon, prepare a common size financial statement.

(Amount in Rs.Crores)

Particulars	**HUL**	**Infosys**	**Suzlon**
Assets			
Non Current Assets	5488	29650	2990
Current Assets	10218	53705	9170
Total	15706	83355	12160
Equity			
Equity Share Capital	216	1144	1005
Other Equity	6528	67838	(7846)
Non Controlling Interest	22	0	8
Liabilities			
Non Current Liabilities	1226	360	5234
Current Liabilities	7714	14013	13759
Total	15706	83355	12160

(a) Comment on the net worth of all the companies.

(b) How is common size statement different from comparative statements for financial analysis?

(c) What can we say on the financial position of Suzlon?

Q2: Discuss the difference between IFRS and Ind-AS. Do you believe that harmonisation of accounting practices across the globe is a pre-requisite for the movement of capital across the globe? Present your views in the form of a note.

Q3: JB Ltd. has the following profit and loss account for the year ended 31st March 2008 and the balance sheet as on that date:

Profit and Loss Account For the year ended 31st March 2008

(Rs in lakhs)

Particulars	**Rs**	**Particulars**	**Rs**
Opening Stock	1.75	Sales: Credit	12
Add: Manufacturing Cost	10.75	Cash	3
	12.5		
Less: Closing Stock	1.50		
Cost of Goods sold	11		
Gross Profit	4		
	15		15
Administrative expenses	0.35	Gross Profit	4
Selling expenses	0.25	Other Income	0.09
Depreciation	0.50		
Interest	0.47		
Income tax	1.26		
Net Profit	1.26		
	4.09		4.09

Balance Sheet As on 31st March 2008

Liabilities	**Rs**	**Assets**	**Rs**
Equity shares of Rs 10 each	3.5	Plant and Machinery	10
10% pref. shares	2.00	Depreciation	2.5
Reserves and Surplus	2.00	Net Plant and Machinery	7.5
Long term loan (12%)	1.00	Goodwill	1.40
Debentures (14%)	2.50	Stock	1.50
Creditors	0.60	Debtors	1.00
Bills payable	0.20	Prepaid expenses	0.25
Accrued expenses	0.20	Marketable Securities	0.75
Provision for tax	0.65	Cash	0.25
	12.65		12.65

The market price per share is Rs 45.

Calculate the following ratios: (a) Quick Ratio; (b) Interest Coverage Ratio; (c) Debtors turnover ratio; (d) Return on Shareholders' equity; (e) P/E ratio; (f) Earning yield; (g) Return on capital employed; (h) Fixed Charge coverage ratio

Q4: "Capital structure ratios are more useful in assessing solvency than earnings ratios." Explain.

Q5:From the following figures extracted from the books of SG, prepare a trading and profit and loss account for the year ended March 31, 2007 and balance sheet as on that date after making the necessary adjustments.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
SG's Capital	228800	Stock 1.4.2006	38500
SG' Drawings	13200	Wages	35200
Plant & Machinery	99000	Sundry Creditors	44000
Freehold Property	66000	Postage & Telegrams	1540
Purchases	110000	Insurance	1760
Return Outwards	1100	Gas and fuel	2970
Salaries	13200	Bad debts	660
Office Expenses	2750	Office rent	2860
Office Furniture	5500	Freight	9900
Discounts A/c (Dr.)	1320	Loose tools	2200
Sundry Debtors	29260	Factory Lighting	1100
Loan to Sri Krishna @ 10% p.a. – balance on 1.4.2006	44000	Provision for discount on debtors	880
Cash at bank	29260	Interest on loan to Sri Krishna	1100
Bills payable	5500	Cash on hand	2640
		Sales	231440

Adjustments:

1. Stock on 31st March 2007 was valued at Rs 72600.
2. A new machine was installed during the year costing Rs 15400 but it was not recorded in the books as no payment was made for it. Wages Rs 1100 paid for its erection have been debited to wages account.
3. Depreciate Plant and Machinery by $33^{1/3}$%, Furniture by 10% and Freehold property by 5%.
4. Loose tools were valued at Rs 1760 on 31.3.2007.
5. Of the sundry debtors Rs 600 are bad and should be written off.
6. Maintain a provision of 5% on sundry debtors for doubtful debts.
7. The manager is entitled to a commission of 10% of the net profits after charging such commission.

Q6: "E-commerce accounting is different from traditional accounting." Discuss the challenges of E-commerce accounting.