

2022

**FINANCIAL REPORTING AND
FINANCIAL STATEMENT ANALYSIS — HONOURS**

Paper : DSE-6.1A

Full Marks : 80

*The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. Specify three purposes of conceptual framework for preparation and presentation of financial statements of a company. 5

Or,

Explain 'understandability' and 'comparability' qualitative characteristics of financial statements. 5

2. From the following information, calculate fund from operation of Exe Ltd.—

Profit before tax (PBT) ₹ 2,40,000; Bad debt written off ₹ 12,000; Office expenses charged ₹ 37,000; Depreciation charged ₹ 32,000; Provision for tax debited to Statement of Profit & Loss ₹ 44,000; Dividend paid ₹ 20,000; Profit on sale of asset credited ₹ 15,000 and Goodwill amortised ₹ 25,000. 5

3. From the following calculate ROCE and Return on Net Worth : Share Capital ₹ 30,00,000; General Reserve ₹ 15,00,000; Balance of Statement of Profit & Loss ₹ 5,00,000; 15% long term Loan ₹ 30,00,000; PBT ₹ 17,50,000. Ignore tax. 5

Or,

Name the ratio that you would calculate in each of the following cases to indicate :

- (a) The ability of the company to meet its current obligations.
(b) The rapidity with which accounts receivables are collected.
(c) The ability to meet interest (and other fixed charges) obligations.
(d) The profitability of equity funds invested in the firm.
(e) The dividend paid in relation to earnings per share. 5

Please Turn Over

Group - B

4. From the following information relating to Simplex Ltd., calculate Basic EPS and Diluted EPS as per Ind AS 33 :

Net profit (after tax) for the current year	-	₹ 3,00,00,000
No. of outstanding equity shares	-	50,00,000 shares of ₹ 10 each
No. of 10% Fully Convertible Debentures	-	50,000 debentures of ₹ 100 each
12% Cumulative Preference shares	-	50,000 shares of ₹ 100 each
Corporate tax rate	-	30%

Each fully Convertible Debenture will be converted into 8 equity shares of ₹ 10 each. 3+7

5. From the following information prepare a 'Common size Income Statement' for the year ended 31st March 2022 :

Office, Selling and Distribution Expenses	₹ 1,20,000	
Total Cost of Sales	75% of Net Sales	
Net profit before tax	₹ 2,40,000	
Other income	₹ 40,000	10

Or,

Find the sales of the base period and other missing data from the following figures of S Ltd. 10

Year	2017	2018	2019	2020	2021
Sales (₹ in '000)	1980	?	2805	3140	3798
Trend (%)	110	130	?	?	?

Group - C

6. The statement of assets and liabilities of H Ltd. and its subsidiary S Ltd. as on 31.03.2022 stored as follows :

Equity and Liabilities	H Ltd (₹)	S Ltd (₹)
Equity share capital (₹ 10)	10,00,000	3,00,000
General Reserve	4,00,000	2,60,000
Balance of Profit & Loss (Cr.)	5,00,000	2,00,000
Trade Payables (Creditors)	5,60,000	3,40,000
	<u>24,60,000</u>	<u>11,00,000</u>

Assets

Land & Building	10,00,000	4,40,000
Plant & Machinery	4,00,000	2,00,000
Investment in S Ltd.	3,00,000	—
Inventories	3,80,000	2,80,000
Trade Receivables (Debtors)	3,20,000	1,60,000
Cash and Cash Equivalents	60,000	20,000
	<u>24,60,000</u>	<u>11,00,000</u>

The following information is also available :

- (a) H Ltd. acquired 24,000 equity shares of S Ltd. on 01.07.2021 at a cost of ₹ 3,00,000 and immediately after acquisition H Ltd. received dividend on equity shares @20% for the year 2020-21. H Ltd. credited its share of dividend to Profit & Loss A/c.
- (b) On 01.04.2021, the balance of General Reserve was ₹ 1,40,000 and the balance of Profit & Loss was ₹ 80,000.
- (c) Debtors of H Ltd. include ₹ 40,000 for goods sold to S Ltd. at cost plus 25%, half of the goods are still in stock.

Prepare Consolidated Balance Sheet of H Ltd. with its subsidiary S Ltd. as on 31.03.2022. 15

7. Balance Sheet of Pixel Ltd. as at 31.03.2021 and 31.03.2022 were as follows :

Particulars	31.03.2021 ₹	31.03.2022 ₹
I. Equity and Liabilities		
1. Shareholders' Fund		
(a) Share Capital (Equity Shares of 10 each)	40,00,000	50,00,000
(b) Reserves and Surplus (Balance in Statement of Profit & Loss)	15,00,000	21,00,000
2. Non-Current Liabilities		
(a) Long term borrowing - Term Loan	15,00,000	10,00,000
3. Current Liabilities		
(a) Trade payables	8,00,000	5,00,000
(b) Provision for Tax	2,80,000	3,50,000
	<u>80,80,000</u>	<u>89,50,000</u>
II. Assets		
1. Non-Current Assets		
Property, Plant and Equipment	45,00,000	52,00,000
2. Current Assets		
(a) Inventories	10,00,000	12,00,000
(b) Trade Receivables	23,00,000	19,00,000
(c) Cash and Cash equivalents	2,80,000	6,50,000
	<u>80,80,000</u>	<u>89,50,000</u>

Please Turn Over

Additional information :

- (a) During the year the company paid income tax ₹ 3,20,000, Dividend ₹ 4,00,000 and repayment of term loan of ₹ 5,00,000. The company also paid interest on term loan for the year 2021-22 ₹ 1,80,000.
- (b) Depreciation charged on property, plant and equipment during the year is ₹ 5,00,000.
- Prepare a Cash Flow Statement as per AS-3 for the year ended 31.03.2022.

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Or,

Prepare a Fund Flow Statement of Y Ltd. from the following statement of assets and liabilities after taking into consideration the additional information.

Particulars	31.03.2021 ₹	31.03.2022 ₹
I. Equity and Liabilities		
Share capital (₹ 10)	12,00,000	16,00,000
Capital Reserve	—	40,000
Balance in statement of P/L	8,40,000	10,60,000
Debentures	8,00,000	5,60,000
Sundry creditors	4,80,000	5,36,000
Provision for tax	4,80,000	4,84,000
	<u>38,00,000</u>	<u>42,80,000</u>
II. Assets		
Property, plant and Equipment	22,80,000	26,40,000
Trade investment	4,00,000	3,20,000
Current Assets including inventories	11,20,000	13,20,000
	<u>38,00,000</u>	<u>42,80,000</u>

Additional Information :

- (a) Sold one machine for ₹ 1,00,000, the cost of the machine was ₹ 2,56,000 and the depreciation provided for it amounted to ₹ 1,40,000.
- (b) Provided ₹ 3,80,000 on depreciation.
- (c) Redeemed 30% debentures @ ₹ 103.
- (d) Sold trade investment at profit and the profit was credited to capital reserve.
- (e) Decided to value the stock at cost, whereas the previous practice was to value the stock at cost less 10%. The stock according to books on 31.03.2021 was ₹ 2,16,000, stock on 31.03.2022 ₹ 3,00,000 was correctly valued at cost.

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8. From the following information, prepare a Statement of Proprietors' Fund with as many details as possible :

- GP ratio = 25%
- Current ratio = 1.5
- Stock to Current Liabilities = 1/2
- Stock turnover ratio (based on cost) = 73 days
- Fixed assets to Net worth = 0.80
- Debtors turnover = 4 times
- Gross profit = ₹ 3,00,000
- Reserve to Share Capital = 0.25
- Non-trade investment ₹ 70,000
- There is no borrowings.

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Or,

With the following ratios and further information given below, prepare a Trading Account, Profit & Loss Account for the year ended 31.03.2022 and a Balance Sheet of Mr. Kapoor as on that date.

$$\text{Gross profit ratio} = 33\frac{1}{3}\%$$

$$\text{Net profit ratio} = 25\% \text{ of turnover}$$

$$\text{Stock turnover ratio} = 10 \text{ times}$$

$$\text{Current liabilities/External liabilities} = \frac{1}{4}$$

$$\text{Fixed Assets/Closing capital} = \frac{5}{4}$$

$$\text{Closing capital/External liabilities} = \frac{1}{2}$$

$$\text{Fixed Assets/Current Assets} = \frac{5}{7}$$

$$\text{Fixed Assets} = ₹ 40,00,000$$

Closing stock = ₹ 4,40,000 which is 10% more than the opening stock.

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