

TILAK MAHARASHTRA VIDYAPEETH, PUNE
BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)
EXAMINATION: DECEMBER- 2024
SEMESTER - V

Sub.: Analysis of Financial Statements (BBA22-515FM)

Date : 24/12/2024

Total Marks : 60

Time: 10.00 am To 12.30 pm

- Instructions:** 1) All questions are compulsory.
 2) Figures to the right indicate full marks.

Q. 1. Choose the most appropriate option. (05)

1. is the primary role of financial statements in business?
 - a) To satisfy regulatory requirements only
 - b) To evaluate an organization's financial performance and position
 - c) To calculate income tax payable
 - d) To monitor employee productivity
2. Which of the following is a type of financial analysis?
 - a) Horizontal Analysis
 - b) Financial Engineering
 - c) a and b both
 - d) None of the given
3. is the primary purpose of a cash flow statement?
 - a) To track cash inflows and outflows within a specific period
 - b) To evaluate the profitability of a business
 - c) To compare financial performance with competitors
 - d) To measure total assets and liabilities
4. is the main objective of Funds Flow Analysis?
 - a) To track daily cash transactions
 - b) To assess the profitability of a company
 - c) To analyze changes in financial position and fund utilization
 - d) All of the given
5. In a Statement of Changes in Working Capital, a decrease in current liabilities represents
 - a) An application (use) of funds
 - b) No change in funds
 - c) A non-cash item
 - d) A source of funds

Q. 2. State True / False (05)

- Current Assets: ₹600,000 and Current Liabilities: ₹400,000 in this case the working capital ratio is 1.5 :1.
1.
 - a) True
 - b) False
 2. Sale of a machinery is classified as a source of funds in a Funds Flow Statement.
 - a) True
 - b) False
 3. In the indirect method, depreciation is added back to net income.
 - a) True
 - b) False
 4. Common size financial statements express all financial statement items as percentages of a common base.
 - a) True
 - b) False
 5. In a company's balance sheet, the term shareholders' equity refers to the owners' claims on the company's assets.
 - a) True
 - b) False

Q. 3. Write Short notes on (Any Three)**(15)**

1. Define Financial Statements and explain their key components
2. Importance of Financial Analysis
3. Primary objectives of Cash Flow Statement and its
4. Utility of Funds Flow Statements for managers and investors
5. Differences between Operating, Investing, and Financing Activities in a Cash Flow Statement

Q. 4. Answer in detail (Any Two)**(20)**

1. Explain the role of financial statements in business. Discuss how they serve as a tool for evaluating financial performance and making strategic decisions.
2. Discuss the different techniques of financial analysis
3. Justify the statement “Cash Flow Statement and Fund Flow Statement are important tools in the process of financial analysis.”
4. From the following information prepare :
 - 1) Statement of changes in working capital; and
 - 2) Fund flow statement of the company for the year ended 31 Dec,2022

Balance Sheets of Punjab Ltd.(as on 31st Dec 2021 and 2022)

Liabilities	2021(₹)	2022(₹)
Share capital	3,00,000	4,00,000
Share Premium	----	40,000
P & L Account	80,000	1,20,000
General Reserve	35,000	42,000
Bills Payable	20,000	25,000
Sundry Creditors	55,000	60,000
Outstanding Expenses	15,000	20,000
	5,05,000	7,07,000
Assets	2021(₹)	2022(₹)
Land & Building	1,00,000	1,50,000
Plant & Machinery	2,50,000	3,70,000
Stock	50,000	70,000
Sundry Debtors	60,000	55,000
Bills Receivable	30,000	50,000
Cash	10,000	5,000
Prepaid Expenses	5,000	7,000
	5,05,000	7,07,000

Additional Information:

- 1) In 2022, depreciation charged on plant & machinery amounted to ₹ 26,000.
- 2) One machine was sold for ₹40,000 in 2022. This one was purchased in 2008 for ₹. 60,000 and depreciation was charged on it for ₹ 6,000 till the date of sale.

Q. 5. Savita Ltd. provided Balance Sheets as follows on 31st March 2023 and 31st March 2024.

(15)

Liabilities	₹ 31/03/2023	₹ 31/03/2024
Equity Share Capital	6,00,000	8,00,000
8% Redeemable Pref. Shares	3,00,000	2,00,000
Capital Reserve		40,000
General Reserve	80,000	1,00,000
Profit & Loss A/C	60,000	96,000
Proposed Dividend	84,000	1,00,000
Creditors	50,000	94,000
Bills Payable	40,000	32,000
Liability for expenses	60,000	72,000
Provision for Taxation	80,000	1,00,000
	13,54,000	16,34,000
Assets	₹ 31/03/2023	₹ 31/03/2024
Land & Building	4,00,000	3,40,000
Goodwill	2,00,000	1,60,000
Plant & Mach.	1,60,000	4,00,000
Investments	40,000	60,000
Debtors	2,80,000	3,40,000
Stock	1,54,000	2,18,000
Bills Receivable	40,000	60,000
Cash in Hand	30,000	20,000
Cash at Bank	20,000	16,000
Preliminary Exp.	30,000	20,000
	13,54,000	16,34,000

You are required to prepare a cash flow statement after considering following adjustments

- 1) A piece of land was not in use since many years so company sold the same in year 2024 and the sales proceeds are credited to capital reserve.
- 2) A machine has been sold in 2023 for 20,000. The written down value of the machine was 24,000.
- 3) Plant was depreciated by 20,000 in the year 2023.
- 4) The investments were trade investments. Received 6,000 by way of dividend including 2,000 from pre-acquisition profit which had been credited to investment account.
- 5) An interim dividend of 40,000 had been paid in 2023.