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BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)(071)
EXAMINATION: DECEMBER - 2025
SEMESTER - V
Sub.: Analysis of Financial Statements (BBA22-515FM)

Date : 23/12/2025**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 principal objective of preparing financial statements for external users?
 - a) To comply with tax rules only
 - b) To provide information useful for economic decision-making
 - c) To record internal time sheets
 - d) To set employee salaries
2. Which of the following is a standard technique of financial analysis?
 - a) Vertical analysis
 - b) Quantum forecasting
 - c) Grid optimization
 - d) None of the given
3. _____ is the immediate purpose of the cash flow statement.
 - a) To show cash flows from operating, investing and financing activities
 - b) To list all credit sales made during the year
 - c) To compute market value of equity
 - d) To reconcile tax paid
4. The primary objective of Funds Flow Analysis is to _____.
 - a) Measure profitability for each product line
 - b) Identify sources and uses of working capital over a period
 - c) Prepare budgeted cash flows for the next year
 - d) Classify expenses as fixed or variable
5. In a Statement of Changes in Working Capital, an increase in sundry creditors (current liabilities) is treated as _____.
 - a) Application of funds
 - b) Source of funds
 - c) Non-cash item
 - d) Prior period adjustment

Q. 2. State True / False (05)

1. If Current Assets are ₹450,000 and Current Liabilities are ₹300,000, the current ratio is 1.5 : 1.
 - a) True
 - b) False
2. Proceeds from sale of an old vehicle are treated as a source of funds in a Funds Flow Statement.
 - a) True
 - b) False
3. Under the indirect method of preparing cash flow from operating activities, gain on sale of asset is deducted from net profit.
 - a) True
 - b) False
4. Common-size financial statements express every item as a percentage of net profit.
 - a) True
 - b) False
5. Shareholders' equity in the balance sheet represents residual interest in the assets after deducting liabilities.
 - a) True
 - b) False

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

1. Users of Financial Statements.
2. Significance of Ratio Analysis in financial decision making.
3. Components of the Cash Flow Statement.
4. How Funds Flow Statement assists long-term planning.
5. Distinguish between Operating and Investing Activities with examples.

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

1. Explain how financial statements help managers, investors and creditors in decision making. Illustrate with examples.
2. Describe the major techniques of financial analysis (trend analysis, common-size statements, ratio analysis, and cash flow analysis) and explain when each is most useful.
3. Explain step-by-step the Indirect Method of preparing Cash Flow from Operating Activities. Compare its merits and demerits with the Direct Method
4. From the following information prepare:
(i) Statement of Changes in Working Capital
(ii) Fund Flow Statement of Aryan Ltd. for the year ended 31 Mar 2023.

Balance Sheets of Aryan Ltd.
(as on 31st Mar 2022 and 31st Mar 2023)

Liabilities	2022 (₹)	2023 (₹)
Share capital	2,50,000	3,50,000
Securities Premium	—	30,000
P & L Account	60,000	1,10,000
Reserve Fund	25,000	30,000
Bills Payable	15,000	18,000
Sundry Creditors	40,000	48,000
Outstanding Expenses	8,000	10,000
Total	3,98,000	5,96,000

Assets	2022 (₹)	2023 (₹)
Land & Building	80,000	1,10,000
Plant & Machinery	1,60,000	2,40,000
Stock	30,000	45,000
Sundry Debtors	45,000	40,000
Bills Receivable	20,000	30,000
Cash	60,000	1,25,000
Prepaid Expenses	3,000	6,000
Total	3,98,000	5,96,000

Additional information:

1. Depreciation on Plant & Machinery for 2023 was ₹ 24,000.
2. A machine was sold in 2023 for ₹ 35,000. It was originally purchased for ₹ 50,000 and had accumulated depreciation of ₹ 10,000 at the date of sale.
3. During 2023, the company issued shares for cash and received securities premium as shown.

Q. 5.

Prepare a Cash Flow Statement for the year ended 31 March 2024 from the following Balance Sheets of Regal Ltd.

(15)

Liabilities	₹ 31/03/2023	₹ 31/03/2024
Equity Share Capital	5,00,000	7,00,000
9% Redeemable Pref. Shares	2,00,000	1,50,000
Capital Reserve	—	30,000
General Reserve	60,000	80,000
Profit & Loss A/C	40,000	85,000
Proposed Dividend	70,000	85,000
Creditors	45,000	80,000
Bills Payable	30,000	20,000
Outstanding Expenses	50,000	60,000
Provision for Taxation	60,000	80,000
Total	10,55,000	13,70,000

Assets	₹ 31/03/2023	₹ 31/03/2024
Land & Building	3,00,000	2,60,000
Goodwill	1,20,000	90,000
Plant & Machinery	1,20,000	3,20,000
Investments	30,000	50,000
Debtors	2,00,000	2,50,000
Stock	1,20,000	1,70,000
Bills Receivable	30,000	50,000
Cash in Hand	25,000	15,000
Cash at Bank	90,000	1,50,000
Preliminary Expenses	20,000	15,000
Total	10,55,000	13,70,000

Adjustments

1. A plot of land was sold in 2024 and proceeds credited to Capital Reserve.
2. A machine was sold in 2023 for ₹ 25,000. It's written down value at time of sale was ₹ 28,000.
3. Plant & Machinery depreciation for the year was ₹ 18,000.
4. Investments are trade investments. Dividend received during the year was ₹ 5,000 which included ₹ 1,500 as pre-acquisition dividend credited to the investment account.
5. An interim dividend of ₹ 30,000 was paid during 2023.