

Total No. of Questions: 6

Total No. of Printed Pages:3

Enrollment No.....



Faculty of Commerce  
End Sem (Even) Examination May-2022  
CM3EA11 Financial Statement Analysis & Reporting  
Programme: B. Com. (Hons.) Branch/Specialisation: Commerce

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. The term 'Financial Statement' covers- **1**  
(a) Profit & Loss Statement  
(b) Balance sheet and Profit & Loss Statement appropriation account  
(c) Profit & Loss Statement and Balance sheet  
(d) None of these
- ii. Which of the following is true about financial statements? **1**  
I. Financial statement gives a summary of accounts.  
II. Financial statements can be stated as recorded facts.  
(a) Only I (b) Only II  
(c) Both I and II (d) None of these
- iii. Which statement gives a review on the profitability of a business? **1**  
(a) Statement of changes in equity (b) Cash flow statement  
(c) Balance sheet (d) Income statement
- iv. When assets are subtracted from liabilities it will be equal to? **1**  
(a) Capital (b) Net income  
(c) Working capital (d) Goodwill
- v. P&L statement is also known as- **1**  
(a) Statement of earnings (b) Statement of balance sheet  
(c) Statement of operations (d) Statement of income
- vi. Which of the following options is not recorded in the Balance sheet? **1**  
(a) Cash (b) Rent expenses  
(c) Building (d) Goodwill

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- vii. Current assets are also known as: **1**  
 (a) Cash (b) Assets  
 (c) Invested capital (d) Working capital
- viii. Financial reports are filled out based on the: **1**  
 (a) Generally accepted accounting principles  
 (b) Direct write off accounting principle  
 (c) Both (a) and (b)  
 (d) None of these
- ix. Which of the following is not true about capital budgeting? **1**  
 (a) Capital Budgeting decisions have an influence on the future stability of an organization.  
 (b) Capital Budgeting decisions include investments to expand the business.  
 (c) Capital Budgeting decisions are of an irreversible nature.  
 (d) Sunk cost is a part of Capital Budgeting.
- x. Capital Budgeting decisions are evaluated using the \_\_\_\_\_ and \_\_\_\_\_ is used for this purpose. **1**  
 (a) Weighted average, cost of capital  
 (b) Weighted average, component cost  
 (c) Unweighted average, cost of capital  
 (d) None of these
- Q.2 i. What do you mean by financial statement analysis? **2**  
 ii. Explain any three limitations of financial statement. **3**  
 iii. Describe in brief about the regulations of financial accounting and accounting choices. **5**
- OR iv. What is window dressing? What are the means to check window dressing? **5**
- Q.3 i. What is ratio analysis? Explain its significance in brief. **4**  
 ii. Describe in brief about the interpretation of ratios- **6**  
 (a) Profitability (b) Turnover ratios (c) Solvency
- OR iii. Write the difference between cash flow and fund flow statement. **6**
- Q.4 i. What are income concepts of financial reporting & its significance? **4**

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- ii. Describe in brief about measurement and reporting of revenue and expenses along with gains and losses. **6**
- OR iii. Describe in brief: **6**  
 (a) Additional report (b) Directors report  
 (c) Corporate governance.
- Q.5 i. What is the purpose of financial reporting? **4**  
 ii. Briefly describe users in financial reporting. **6**
- OR iii. Describe any six financial ratios in annual report. **6**
- Q.6 i. What do you mean by capital budgeting? **2**  
 ii. What are the features of capital budgeting? **3**  
 iii. Explain capital investment decisions? **5**
- OR iv. Describe in brief with an example. **5**  
 (a) Payback period (b) ARR  
 (c) NPV (d) IRR  
 (e) PI

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## Marking Scheme

### CM3EA11 Financial Statement Analysis & Reporting

Q.1	i.	The term 'Financial Statement' covers-		<b>1</b>					
		(c) Profit & Loss Statement and Balance sheet							
	ii.	Which of the following is true about financial statements?		<b>1</b>					
		I. Financial statement gives a summary of accounts.							
		II. Financial statements can be stated as recorded facts.							
		(c) Both I and II							
	iii.	Which statement gives a review on the profitability of a business?		<b>1</b>					
		(d) Income statement							
	iv.	When assets are subtracted from liabilities it will be equal to?		<b>1</b>					
		(a) Capital							
Q.2	v.	P&L statement is also known as-		<b>1</b>					
		(d) Statement of income							
	vi.	Which of the following options is not recorded in the Balance sheet?		<b>1</b>					
		(b) Rent expenses							
	vii.	Current assets are also known as:		<b>1</b>					
		(d) Working capital							
	viii.	Financial reports are filled out based on the:		<b>1</b>					
		(a) Generally accepted accounting principles							
	ix.	Which of the following is not true about capital budgeting?		<b>1</b>					
		(d) Sunk cost is a part of Capital Budgeting.							
Q.3	x.	Capital Budgeting decisions are evaluated using the _____ and _____ is used for this purpose.		<b>1</b>					
		(a) Weighted average, cost of capital							
	i.	Meaning of financial statement analysis		<b>2</b>					
	ii.	Any three limitations of financial statement		<b>3</b>					
		(1 mark for each)	(1 mark * 3)						
	iii.	regulations of financial accounting	2.5 marks	<b>5</b>					
		Accounting choices	2.5 marks						
	OR iv.	Window dressing	2 marks	<b>5</b>					
		Means to check window dressing	3 marks						
Q.4	ii.	(a) Profitability	2 marks	<b>6</b>					
		(b) Turnover ratios	2 marks						
		(c) Solvency	2 marks						
	OR iii.	Cash flow	3 marks	<b>6</b>					
		Fund flow statement	3 marks						
	i.	Income concepts of financial reporting	1 mark	<b>4</b>					
		Its significance	3 marks						
	ii.	Measurement of revenue	2 marks	<b>6</b>					
		Reporting of revenue	2 marks						
		Expenses along with gains and losses	2 marks						
Q.5	OR iii.	(a) Additional report	2 marks	<b>6</b>					
		(b) Directors report	2 marks						
		(c) Corporate governance	2 marks						
	i.	Purpose of financial reporting		<b>4</b>					
		1 mark for each	(1 mark * 4)						
	ii.	Users in financial reporting.		<b>6</b>					
		As per the explanation							
	OR iii.	Any six financial ratios in annual report		<b>6</b>					
		1 mark for each	(1 mark * 6)						
Q.6	i.	Capital budgeting		<b>2</b>					
		As per explanation							
	ii.	Features of capital budgeting		<b>3</b>					
		1 mark for each	(1 mark * 3)						
	iii.	Capital investment decisions		<b>5</b>					
		As per explanation							
	OR iv.	1 mark for each	(1 mark * 5)	<b>5</b>					
		(a) Payback period	(b) ARR						
		(c) NPV	(d) IRR						
		(e) PI							

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