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PG/IVS/COM/405 AF.1 &
405AF.2/25 (New)

M.Com. 4th Semester Examination, 2025

COMMERCE

(*Financial Statement Analysis and
Financial Reporting*)

PAPER – COM-405AF

Full Marks : 50

Time : 2 hours

Answer all questions

The figures in the right hand margin indicate marks

*Candidates are required to give their answers in
their own words as far as practicable*

COM-405AF.1

[Marks : 20]

1. Answer any two questions from the following :

5 × 2

(Turn Over)

- (a) State the importance of Financial Statement Analysis.
- (b) "A Cash Flow Statement is a better substitute of Income Statement"—Critically examine.
- (c) What is Economic Value Added (EVA)? How is it different from Market Value Added (MVA)? 2 + 3

2. Answer any *one* question from the following : 10 × 1

- (a) The standard ratios of an industry and the ratios of Smart Company are given as follows :

	Industry Standard	Smart Company
Current Ratio	2 : 1	1.5 : 1
Liquid Ratio	1 : 1	0.75 : 1
Debtors' Turn Over	5 times	6 times
Creditors' Turn Over	4 times	3.8 times

	Industry Standard	Smart Company
Debt-Equity ratio	1 : 1	2 : 1
Proprietors' equity to total assets	0.4 : 1	0.24 : 1
Fixed Assets to Proprietor's equity	1.25 : 1	2.44 : 1
Capital Turnover	1.87 times	1.85 times
Total Assets Turnover	1.36 times	1.35 times
Fixed Assets Turnover	3 times	2.3 times
Working Capital Turnover	1.94 times	2.7 times
Stock Turnover	5 times	5.4 times
Gross Profit ratio	25%	20%
Operating Ratio	88%	85%
Net profit Raio	12%	15%
ROI	22.5%	28%

Comment on the performance of the
company.

10

(b) The Balance Sheet of X Ltd. as on March 31, 2024 and 2025 are presented as follows :

<i>Assets</i>	<u>2024</u> (Rs.)	<u>2025</u> (Rs.)
Land and Building	80,000	1,20,000
Plant and Machinery	5,00,000	8,00,000
Stock	1,00,000	75,000
Sundry Debtors	1,40,000	1,50,000
Prepaid Expenses	14,000	12,000
Cash at Bank	16,000	18,000
	<u>8,50,000</u>	<u>11,75,000</u>
 <i>Liabilities</i>		
Share Capital	5,00,000	7,00,000
Profit and Loss Account	1,00,000	1,60,000
General Reserve	50,000	70,000
Sundry Creditors	1,63,000	2,00,000
Bills Payable	30,000	40,000
Outstanding Expenses	7,000	5,000
	<u>8,50,000</u>	<u>11,75,000</u>

Additional Information :

- (i) Rs. 50,000 depreciation has been charged to plant and machinery during the year.
- (ii) A piece of machinery was sold for Rs. 8,000 during the year. It costs Rs. 12,000 and depreciation of Rs. 7,000 has been provided on it.

Prepare a Cash Flow Statement from the above details.

10

COM-405AF.2

[Marks : 20]

3. Answer any *two* questions from the following :

- (a) How does IFRS differ from IAS ? State the objectives of IASB. 5×2
 $2 + 3$
- (b) What are the main contents of Financial Statements. Define current liabilities as per Ind AS-I. $3 + 2$

- (c) What do you understand by social costs, social benefits and social profit ?

5

4. Answer any *one* question from the following :

10 × 1

- (a) (i) Define 'inventories' as per Ind AS 2. State the important disclosures of Ind AS 2 regarding inventories.

- (ii) In the manufacturing process of Ehan Ltd., apart from two main products EH1 and EH2, a by-product LT is also generated, along with some scrap. The details related to the cost of the production process are provided below :

Inputs	Unit	Amount	Outputs	Closing Stock
Raw material	14,500	1,50,000	EH 1-5,000 units	300 units
Wages		90,000	EH 2-4,000 units	200 units
Fixed overhead		65,000	LT-2,000 units	Nil
Variable overhead		50,000		

Average market price of EH1 and EH2 is Rs. 60 per unit and Rs. 50 per unit respectively, and the by-product LT is sold @Rs. 20 per unit. There is a profit of Rs. 5,000 on sale of the by-product after incurring separate processing charges of Rs. 8,000 and packing charges of Rs. 2,000. From sale of scrap, Rs. 5,000 is realised.

You are required to : calculate the value of closing stock of EH1 and EH2.

(2 + 3) + 5

- (b) (i) ABC Ltd. operates in the following business segments (in ₹ crores) :

Segment	Revenue	Profit/(Loss)	Assets
Segment A	250	30	800
Segment B	100	(5)	200
Segment C	150	12	300
Segment D	50	3	100
Segment E	30	1	100

(8)

Determine which segments are reportable as per Ind AS 108.

- (ii) Write the name of three large scale and three small scale polluting industries in India. State about any two limitations of environmental accounting.

6 + 4

[Internal Assessment – 10 Marks]
