

HOLIDAY HOME WORK
CLASS - XII
SUBJECT- ACCOUNTANCY

Part –C
Analysis of Financial Statements

Assignment – 1

Analysis of Financial Statements

Note: Holiday home work is divided into two parts

- (i) Revisional assignments to be done in HW copy.**
- (ii) Project Work - as per the instructions**

Qus:1 How will you show the following items in the Balance sheet of a company.

- (i) Calls in Arrears
- (ii) Calls in Advance.

Qus:2 Under what heads the following items on the Liabilities side of the Balance sheet Of a company will be presented

- (i) Proposed Dividend.
- (ii) Unclaimed Dividend.

Qus:3 State any two items which are shown under the head 'Investment' in a company balance sheet.

Qus:4 Give the format of the Balance sheet of a company(main headings only) as per the requirement of Schedule VI of the companies Act.1956.

Qus:5 Give the heading under which the following items will be shown in a company's Balance sheet:

- (i) Goodwill.
- (ii) Preliminary Expenses
- (iii) Loose Tools
- (iv) Capital Redemption Resave.
- (v) Live Stock.

Qus:6 The following balance have been from the book of Sahara Ltd. Share capital Rs.10,00,000, securities Premium Rs. 1,00,000, 9% Debentures Rs. 500,000, Creditors Rs. 200,000., Proposed Dividend Rs. 50,000. , Freehold property RS. 9,00,000, share of Reliance Industries Rs. 4,00,000, Work-in-Progress Rs. 4,00,000, Discount on Issue of Debentures Rs. 1,00,000.

Prepare the balance sheet of the company as per schedule VI part 1 of the companies Act.1956.

Qus:7 List any three items that can be shown as contingent Liabilities in a company's Balance sheet.

Qus:8 Give two example each of Non-Current Assets and Non- Current Liabilities.

Qus:9 What is Horizontal Analysis?

Qus:10 Give the example of Horizontal Analysis.

Qus:11. What is Vertical Analysis?

Qus:12. Give the example of Vertical Analysis?

Qus:13. How is a Company's balance sheet different from that of a Partnership firm? Give Two point only.

Qus:14. List any two information required to be given in the balance sheet of a company or by way of foot Notes.

- Qus:15. State whether the Balance sheet of a Company is prepared ' as on a particular date ' or ' as at a Particular date ' ?
- Qus:16. Which part of Schedule VI to the Companies Act.1956 prescribes the forms of the balance sheet ?
- Qus:17. How is analysis of Financial statements suffered from the limitation of window dressing ?
- Qus:18. What is the interest of Shareholders in the analysis of Financial statements?
- Qus:19. Name two tools of Financial Analysis ?
- Qus:20: Which item is assumed to be 100 in the case of common size Income statement .
- Qus:21 Prepare Comparative income statement from the following information for the years ended march 31,2003 and 2004.

Particulars	2003(Rs.)	2004(Rs.)
1.Net Sales	8,00,000	10,00,000
2.Cost of Goods Sold	60% of sales	60% of sales
3.Indirect Expenses	10% of Gross profit	10% of Gross Profit
4.Income Tax rate	50%	60%

Assignment – 2 Ratio Analysis

- Qus:1 How will you asses the liquidity or short term financial position of a business ?
- Qus:2 Current ratio of Reliance Textiles Ltd. Is 1.5 at present. In future it want to improve this ratio to 2. Suggest any two accounting transaction for improving the current ratio.
- Qus:3 State one transaction which results in an increase in ' liquid ratio 'and nochange in 'current ratio'.
- Qus:4 Why stock is excluded from liquid assets ?
- Qus:5 Quick ratio of a company is 1.5 :1 . state giving reason whether the ratio will improve , decline or Not change on payment of dividend by the company.
- Qus:6 State one transaction which result in a decrease in ' debt-equity ratio ' and no change in ' current Ratio ' .
- Qus:7 How does ratio analysis becomes less effective when the price level changes?
- Qus:8.Indicate which ratio a shareholders would use who is examining his portfolio and wants to decide Whether he should hold or sell his shareholdings?
- Qus:9 Indicate which ratio would be used by a Long-Term creditor who is interested in determining whether his claim is adequately secured ?
- Qus:10 What will be the Operating profit, If operating Ratio is 78% ?
- Qus:11 The Debtors turnover Ratio of a company is 6 times. State with reasons whether the ratio will Improve , decrease, or not change due to increases in the value of closing stock by Rs. 50,000?
- Qus:12 What will be the impact of ' Issue of shares against the purchase of fixed assets ' on a debt Equity ratio of 1:1 ?
- Qus:13 State one transaction involving a decrease in Liquid ratio and no change in current ratio.

- Qus:14 Assuming that the Debt Equity Ratio is 2:1. State giving reason , whether the ratio will improve , decline or will have no change in case bonus shares allotted to equity shareholders by Capitalizing profits.
- Qus:15 The ratio of current Assets (Rs. 9,00,000) to current liabilities is 1.5:1. The accountant of this Firm is interested in maintaining a current ratio of 2:1 by paying some part of current liabilities You are required to suggest him the amount of current liabilities which must be paid for the Purpose.
- Qus:16 A company has a loan of Rs.15,00,000 as part of its capital employed. The interest payable on Loan is 15% and the ROI of the company is 25%. The rate of income tax is 60%.what is the Gain to shareholders due to the loan raised by the company ?
- Qus:17 Rs.2,00,000 is the cost of goods sold, inventory turnover 8 times, stock at the beginning is 1.5 Times more than the stock at the end. Calculate the value of opening & closing stock .
- Qus:18 From the given information, calculate the stock turnover ratio: sales Rs.5,00,000, Gross Profit 25% on cost , opening stock was $\frac{1}{3}$ rd of the value of closing stock. Closing stock was 30% Of sales.
- Qus:19 Calculate cost of goods sold from the following information: Sales Rs.12,00,000, Sales Returns Rs.80,000, operating expenses Rs.1,82,000, operating ratio 92%.
- Qus:20 Calculate the amount of opening stock and closing stock from the following figures:
Average Debt collection period 4 month stock turnover ratio 3 times. Average Debtors Rs.1,00,000 Cash sales being 25% of total sales Gross profit ratio 25% stock at the end was 3 Times that in the beginning.
- Qus:21 (a) Calculate return on Investment from the following information :
- Net profit after Tax Rs.6,50,000.
 - 12.5% convertible debentures Rs 8,00,000.
 - Income Tax 50%.
 - Fixed Assets at cost Rs.24,60,000.
 - Depreciation reserve Rs.4,60,000.
 - Current Assets Rs. 15,00,000.
 - Current Liabilities Rs. 7,00,000.
- (b) Profit before interest and tax(PBIT) Rs.2,00,000, 10% preference shares of Rs.100 each. Rs.2,00,000, 2,00,000 equity shares of Rs. 10 each, Rate of tax @ 50% calculate earning per Share(EPS).

Assignment – 3

Cash Flow Statement

Qus:1 Why is the cash flow statement not a suitable judge of profitability ?

Qus:2 Under which accounting standard , cash flow statement is prepared ?

Qus:3 Why do we add back depreciation to net profit while calculating cash flow from operating activities.

Qus:4 How will you classify loans given by Birla Finance Ltd.? While preparing cash flow statement.

Qus:5 How will you classify deposits by customers in HDFC Bank while preparing cash flow statement.

Qus:6 Where will you show purchase of computer in cash flow statement ?

Qus:7 Give two examples of ‘ Significant non cash transactions ‘ .

Qus:8 How will you classify loans given by Tata Manufacturing Company.

Qus:9 A company receives a dividend of Rs. 2 Lakhs on its investment in other company’s share will it be Cash inflow from operating or investing activities in case of a.

- (i) Finance Company.
- (ii) Non-Finance Company.

Qus:10 How are various activities classified as per AS-3 (Revised) ?

Qus:11 Cash flow from operating Activities + Cash flow from Investing Activities + Cash flow from Financing Activities =.....

Qus:12 What are the two methods which can be employed to calculate net cash flow from operating activities ?

Qus:13 Escorts Ltd. Engaged in the business of manufacturing tractors invested Rs.40,00,000 in the shares of a Car manufacturing Company. state with reason whether the dividend received on this investment will Be cash flow from operating activities or Investing activities.

Qus:14 Modern Toys Ltd. Purchased a machinery of Rs.20,00,000 for manufacturing toys. State giving reason Whether the cash flow due to the purchase of machinery will be cash flow from operating activities, Investing activities or Financing activities ?

Qus:15 From the following profit or loss account find out the flow of cash from operating activities of Mohan Ltd.

Dr.

PROFIT AND LOSS ACCOUNT

Cr.

Particulars		Amount	Particulars		Amount
		(Rs)			(Rs)
To Rent Paid	14,000		By Gross Profit		1,82,000
Less: Prepaid	<u>2,000</u>	12,000	By Profit on Sale of Machine		12,000
To Salaries		25,000	By Tax Refund		3,800
To Depreciation		15,000	By Rent received	4,000	
To Loss on sale of Furniture		10,000	Add: Rent accrued	<u>1,000</u>	5,000
To Goodwill written Off		8,000			
To Bad Debts		3,000			
To Office Expenses		18,000			
To Discount allowed		7,000			
To Proposed Dividend		30,000			
To Provision for Tax		22,000			
To Net Profit		52,800			2,02,800
		<u>2,02,800</u>			

Note: There was increase in Closing stock by Rs. 25,000.

Qus:16 Prepare Cash flow Statement from the following information of Box Ltd. For the year ended March 31,2004.

BALANCE SHEETS OF LION LTD. AS ON MARCH 31,2004

Liabilities	2003	2004	Assets	2003	2004
	(Rs)	(Rs)		(Rs)	(Rs)
Share capital	3,00,000	4,00,000	Goodwill	70,000	30,000
Profit & Loss Account	1,20,000	2,60,000	Machinery	3,00,000	3,20,000
General Reserve	60,000	95,000	12% Investments	1,50,000	3,00,000
Tax Provision	70,000	80,000	Stock	35,000	1,85,000
Creditors	50,000	90,000	Debtors	50,000	70,000
Bill Payables	30,000	10,000	Cash at Bank	30,000	40,000
Depreciation Provision	25,000	40,000	Short term Investment	20,000	30,000
	<u>6,55,000</u>	<u>9,75,000</u>		<u>6,55,000</u>	<u>9,75,000</u>

Additional Information :

1. Investment costing Rs.50,000 were sold for Rs. 48,000 during the year.
2. Tax paid during the year Rs.70,000.
3. Interest received on Investment Rs. 12,000.

Assignment -4

1. A financial statement that shows the inflows and outflows of cash during a particular period of time is known as:
 - income statement
 - statement of retained earnings
 - balance sheet
 - statement of cash flows
2. Which of the following is not an operating cash flow?
 - collection of cash from receivables
 - payment of income tax
 - payment of cash for operating expenses
 - purchase of equipment for cash
3. Which of the following is not an investing cash flow?
 - purchase of marketable securities for \$25,000 cash
 - sale of land for \$28,000 cash
 - sale of 2,500 shares of common stock for \$15 each
 - purchase of equipment for \$500 cash
4. Which of the following is not a non-cash investing and financing activity?
 - Conversion of bonds into common stock
 - Purchase of land by issuing common stock
 - Conversion of preferred stock into common stock
 - Repayment of short-term loan
5. Significant non-cash investing and financing activities are reported in the:
 - operating activities section of statement of cash flows
 - investing activities section of statement of cash flows
 - foot notes or separate notes to the financial statements
 - financing activities section of statement of cash flows
6. The following data belongs to Care Company:
 - Accounts receivable on December 31, 2016: \$60,000
 - Accounts receivable on December 31, 2017: \$40,000
 - Net credit sales during the year 2017: \$200,000

Based on the above information, the net cash collected from customers by Care Company during the year 2017 is:

- \$180,000
 - \$220,000
 - 240,000
 - 260,000
7. The following data belongs to Soft Company:
 - Accounts receivable on December 31, 2016: \$20,000
 - Accounts receivable on December 31, 2017: \$25,000
 - Net credit sales during the year 2017: \$100,000

Based on the above information, the total cash collected from customers by Soft Company during the year 2017 is:

- 75,000

- 120,000
 - 105,000
 - \$95,000
8. Based on the above information, the net cash paid to suppliers of inventory during the year 2017 is:
- Inventory on December 31, 2016: \$5,000
 - Inventory on December 31, 2017: \$3,000
 - Accounts payable on December 31, 2016: \$12,000
 - Accounts payable on December 31, 2017: \$15,000
 - Cost of goods sold for the year 2017: \$50,000
- \$49,000
 - \$55,000
 - \$45,000
 - \$51,000
9. Under indirect method of preparing statement of cash flows, depreciation expense affects:
- operating activities section
 - investing activities section
 - financing activities section
 - notes to the financial statements
10. The John Company sells its delivery truck in current year. The relevant information is given below:
- Cost of delivery truck (purchased several years ago): \$25,000
 - Book value of delivery truck: \$5,000
 - Proceeds from sale of delivery truck: \$4,000

Based on the above information, the operating activities section of the statement of cash flows of current year would be affected by:

\$5,000

\$25,000

\$4,000

\$1,000

11. Which of the following items affects net income but does not affect cash?

- Depreciation of fixed assets
- Amortization of intangible assets & bond discounts
- Depletion of natural resources
- All of the above

12. The indirect method of preparing a statement of cash flows is also known as:

- income statement method
- reconciliation method
- balance sheet method

- reverse method

13. The following information belongs to Noor Merchandising Company:

- Net income: \$25,000
- Depreciation expenses: \$2,000
- Loss on sale of equipment: \$100
- Proceeds from sale of equipment: \$500
- Increase in accounts receivable: \$1,000
- Increase in accounts payable: \$2,000
- Decrease in inventory: \$400

Based on the above information, the net cash provided by operating activities is:

- \$29,000
- \$28,500
- 27,500
- 24,300

14. The statement of cash flows is designed with the purpose of helping users to assess each of the following, except:

- the major sources of cash receipts during the period
- the reasons why net cash flows from operating activities differ from net income
- the ability of a entity to remain liquid
- the profitability of the entity

15. The Northern Company reported income tax expense of \$30,500 on its income statement for the year December 31, 2017. The comparative balance sheet of the company showed that income tax payable on December 31, 2016 and December 31, 2017 was \$4,000 and \$6,500 respectively.

Based on the above information, cash payment for the income tax during the year 2017 was:

- \$28,000
- \$33,000
- \$34,500
- \$37,000

16. The land account was debited by \$60,000 and credited by \$25,000 during the current year. The income statement reported a loss on sale of land in the amount of \$2,000. All transactions related to land account was cash transactions. These transactions would be shown in the statement of cash flows as:

- \$60,000 cash provided by investing activities, and \$25,000 cash disbursed for investing activities
- \$23,000 cash provided by investing activities, and \$60,000 cash disbursed for investing activities
- \$25,000 cash provided by investing activities, and \$60,000 cash disbursed for investing activities
- \$27,000 cash provided by investing activities, and \$60,000 cash disbursed for investing activities

Assignment – 5

Ratio Analysis - Liquidity Ratios

1. Which ratio is considered as safe margin of solvency?

- a) Liquid ratio
- b) Quick ratio
- c) Current ratio
- d) None of the above

2. The ideal level of current ratio is

- a) 4:2
- b) 2:1
- c) Both a and b
- d) None of the above

3. Current ratio is stated as a crude ratio because

- a) It measures only the quantity of current assets
- b) It measures only the quality of current assets
- c) Both a and b
- d) Offerings dimension

4. Liquid ratio is also known as

- a) Quick ratio
- b) Acid test ratio
- c) Working capital ratio
- d) Stock turnover ratio

- a) A and B
- b) A and C
- c) B and C
- d) C and D

5. Stock is considered as a liquid asset as anytime it can be converted into cash immediately.

- a) Yes
- b) No

6. The ideal level of liquid ratio is

- a) 3:3
- b) 4:4
- c) 5:5
- d) All of the above

7. Debt-equity ratio is a sub-part of

- a) Short-term solvency ratio
- b) Long-term solvency ratio
- c) Debtors turnover ratio
- d) None of the above

8. Liquid assets is determined by

- a) Current assets-stock-Prepaid expenses
- b) Current assets +stock+ prepaid expenses
- c) Current assets +Prepaid expenses
- d) None of the above

9. Which of the following is not included in current assets?

- a) Debtors
- b) Stock
- c) Cash at bank
- d) Cash in hand

10. Higher the ratio, the more favorable it is, doesn't stands true for

- a) Operating ratio
- b) Liquidity ratio
- c) Net profit ratio
- d) Stock turnover ratio

11. The most precise test of liquidity is

- a) Quick ratio
- b) Current ratio
- c) Absolute Liquid ratio
- d) None of the above

12. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000.

Determine value of stock.

- a) Rs 54,000
- b) Rs 60,000
- c) Rs 1, 62,000
- d) None of the above

13. Collection of debtors

- a) Decreases current ratio
- b) Increases current ratio
- c) Has no effect on current ratio
- d) None of the above

Assignment - 6

Ratio Analysis - 1 -

1. When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as

- a) Accounting ratio
- b) Financial ratio
- c) Costing ratio
- d) None of the above

2. The definition, “The term accounting ratio is used to describe significant relationship which exist between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in a any part of the accounting organization” is given by

- a) Biramn and Dribin
- b) Lord Keynes
- c) J. Betty
- d) None of the above.

3. The relationship between two financial variables can be expressed in:

- a) Pure ratio
- b) Percentage
- c) Rate or time
- d) Either of the above

4. Liquidity ratios are expressed in

- a) Pure ratio form
- b) Percentage
- c) Rate or time
- d) None of the above

5. Which of the following statements are true about Ratio Analysis?

- A) Ratio analysis is useful in financial analysis.
 - B) Ratio analysis is helpful in communication and coordination
 - C) Ratio Analysis is not helpful in identifying weak spots of the business.
 - D) Ratio Analysis is helpful in financial planning and forecasting.
- a) A, B and D
 - b) A, C and D
 - c) A, B and C
 - d) A, B , C, D

6. The ratio analysis is helpful to management in taking several decisions, but as a mechanical substitute for judgment and thinking, it is worse than useless.

- a) True
- b) False

7. Profit for the objective of calculating a ratio may be taken as

- a) Profit before tax but after interest
- b) Profit before interest and tax
- c) Profit after interest and tax
- d) All of the above

8. Which of the following are limitations of ratio analysis?

- A) Ratio analysis may result in false results if variations in price levels are not considered.
- B) Ratio analysis ignores qualitative factors
- C) Ratio Analysis ignores quantitative factors
- D) Ratio Analysis is historical analysis.

- a) A, B and D
- b) A, C and D
- c) A, B and C
- d) A, B , C, D

Ratio Analysis - Gross Profit ratio -

1. Which of the following falls under Profitability ratios?

- A) General Profitability ratios
- B) Overall Profitability ratios
- C) Comprehensive Profitability ratios

- a) A and B
- b) A and C
- c) B and C
- d) None of the above

2. General Profitability ratios are based on

- a) Investments
- b) Sales
- c) a & B
- d) None of the above

3. Gross Profit ratio is also termed as

- a) Gross Profit Margin
- b) Gross Margin to net sales
- c) Both a and b
- d) All of the above

4. While calculating Gross Profit ratio,

- a) Closing stock is deducted from cost of goods sold

- b) Closing stock is added to cost of goods sold
- c) Closing stock is ignored
- d) None of the above

5. While calculating Gross Profit, if net profit is given,

- a) It can be converted into gross profit by adding interest to it
- b) It can be converted into Gross profit by adding indirect expenses to it
- c) Both a and b
- d) None of the above

6. Gross profit ratio is calculated by

- a) $(\text{Gross Profit}/\text{Gross sales}) \times 100$
- b) $(\text{Gross Profit}/\text{Net sales}) \times 100$
- c) $(\text{Net Profit}/\text{Gross sales}) \times 100$
- d) None of the above

7. Given Sales is 1, 20,000 and Gross Profit is 30,000, the gross profit ratio is

- a) 24%
- b) 25%
- c) 40%
- d) 44%%

8. What will be the Gross Profit if, total sales is Rs 2,60,000 Cost of net goods sold is Rs 2,00,000 and Sales return is Rs 10,000?

- a) 13%
- b) 28%
- c) 26%
- d) 20%

9. If selling price is fixed 25% above the cost, the Gross Profit ratio is

- a) 13%
- b) 28%
- c) 26%
- d) 20%

10. Gross Profit ratio should be adequate to cover

- a) Selling expenses
- b) Administrative expenses
- c) Dividends
- d) All of the above

Ratio Analysis - Net Profit ratio - MCQs

1. Net Profit ratio is calculated by

- a) $(\text{Gross Profit}/\text{Gross sales}) \times 100$
- b) $(\text{Gross Profit}/\text{Net sales}) \times 100$

- c) $(\text{Net Profit}/\text{Net sales}) \times 100$
- d) None of the above

2. If sales is Rs 5, 00,000 and net profit is Rs 1, 20,000 Net Profit ratio is

- a) 24%
- b) 416%
- c) 60%
- d) None of the above

3. If sales is Rs 10,00,000, sales returns is Rs 50,000, Profit Before Tax is Rs 2,00,000, Income tax is 40%, Net profit ratio is

- a) 12.63%
- b) 20%
- c) 10%
- d) 50%

4. Net operating profit ratio determines _____ while net profit ratio determines

- a) Overall efficiency of the business, working efficiency of the management
- b) Working efficiency of the management, overall efficiency of the business
- c) Overall efficiency of the external market, working efficiency of the internal management
- d) None of the above

5. Operating ratio is calculated by

- a) $(\text{Operating Cost}/\text{Gross sales}) \times 100$
- b) $(\text{Operating Cost}/\text{Gross sales}) \times 100$
- c) $(\text{Operating cost}/\text{Net sales}) \times 100$
- d) None of the above

6. Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs 6,60,000.

- a) 80%
- b) 15%
- c) 25%
- d) 11%

7. Which of the following is expenses ratio?

- A) Administrative expenses ratio
- B) Selling and Distribution expenses ratio
- C) Factory expenses ratio
- D) Finance Expenses ratio

- a) A, B and D
- b) A, C and D
- c) A, B and C
- d) A, B , C, D

Ratio Analysis - Overall Profitability Ratios: Net Profit ratio - MCQs

1. Overall Profitability ratios are based on

- a) Investments
- b) Sales
- c) a & B
- d) None of the above

2. Return on Proprietors' funds is also known as:

- a) Return on net worth
- b) Return on Shareholders' fund
- c) Return on Shareholders' Investment
- d) All of the above

3. Return on equity capital is calculated on basis of:

- a) Funds of equity shareholders
- b) Equity capital only
- c) Either a or b
- d) None of the above

4. While calculating Earnings per share, if both equity and preference share capitals are there, then

- a) Preference share is deducted from the net profit
- b) Equity share capital is deducted from the net profit
- c) Both a and b
- d) None of the above

Ratio Analysis - Turnover Ratios - MCQs

1. Turnover ratios are also known as

- a) Activity ratios
- b) Performance ratios
- c) Both a and b
- d) None of the above

2. The lower turnover ratio highlights the under utilizations of the resources accessible at the disposal of the firm.

- a) True
- b) False

3. Stock velocity established a relationship between

- a) Cost of goods sold in a given period and the average amount of inventory held during that period.
- b) Cost of goods sold in a given period and the average amount of stock held during that period.
- c) Both a and b
- d) None of the above

4. Determine stock turnover ratio if, Opening stock is Rs 31,000, Closing stock is Rs 29,000, Sales is Rs 3,20,000 and Gross profit ratio is 25% on sales.

- a) 31 times
- b) 11 times
- c) 8 times
- d) 32 times

5. Debtors Turnover ratio is also known as

- A) Receivables turnover ratio
- B) Debtors velocity
- C) Stock velocity
- D) Payable turnover ratio

- a) A and B
- b) A and C
- c) B and C
- d) C and D

6. Determine Debtors turnover ratio if, closing debtors is Rs 40,000, Cash sales is 25% of credit sales and excess of closing debtors over opening debtors is Rs 20,000.

- a) 4 times
- b) 2 times
- c) 6 times
- d) 8 times

7. Working capital turnover ratio can be determined by:

- a) (Gross Profit/Working capital)
- b) (Cost of goods sold/Net sales)
- c) (Cost of goods sold/Working capital)
- d) None of the above

8. Determine Working capital turnover ratio if, Current assets is Rs 1,50,000, current liabilities is Rs 1,00,000 and Cost of goods sold is Rs 3,00,000.

- a) 5 times
- b) 6 times
- c) 3 times
- d) 1.5 times

Assignment - 7

Ratio Analysis - Liquidity Ratios

1. Which ratio is considered as safe margin of solvency?

- a) Liquid ratio
- b) Quick ratio

- c) Current ratio
- d) None of the above

2. The ideal level of current ratio is

- a) 4:2
- b) 2:1
- c) Both a and b
- d) None of the above

3. Current ratio is stated as a crude ratio because

- a) It measures only the quantity of current assets
- b) It measures only the quality of current assets
- c) Both a and b
- d) Offerings dimension

4. Liquid ratio is also known as

- a) Quick ratio
- b) Acid test ratio
- c) Working capital ratio
- d) Stock turnover ratio

- a) A and B
- b) A and C
- c) B and C
- d) C and D

5. Stock is considered as a liquid asset as anytime it can be converted into cash immediately.

- a) Yes
- b) No

6. The ideal level of liquid ratio is

- a) 3:3
- b) 4:4
- c) 5:5
- d) All of the above

7. Debt-equity ratio is a sub-part of

- a) Short-term solvency ratio
- b) Long-term solvency ratio
- c) Debtors turnover ratio
- d) None of the above

8. Liquid assets is determined by

- a) Current assets-stock-Prepaid expenses
- b) Current assets +stock+ prepaid expenses

- c) Current assets +Prepaid expenses
- d) None of the above

9. Which of the following is not included in current assets?

- a) Debtors
- b) Stock
- c) Cash at bank
- d) Cash in hand

10. Higher the ratio, the more favorable it is, doesn't stand true for

- a) Operating ratio
- b) Liquidity ratio
- c) Net profit ratio
- d) Stock turnover ratio

11. The most precise test of liquidity is

- a) Quick ratio
- b) Current ratio
- c) Absolute Liquid ratio
- d) None of the above

12. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000.

Determine value of stock.

- a) Rs 54,000
- b) Rs 60,000
- c) Rs 1, 62,000
- d) None of the above

13. Collection of debtors

- a) Decreases current ratio
- b) Increases current ratio
- c) Has no effect on current ratio
- d) None of the above

Assignment 8

1. While preparing cash flow statement, what type of activity is payment of Dividend by a finance company? 1

2. From the following particulars of Vikrant Ltd, calculate cash flows from financing activities:

1

	31.03.2014	31.03.2015
Equity Share Capital	9,50,000	4,50,000
10% Bank Loan	4,10,000	1,50,000
Patents		60,000

3. a) A business has a current ratio of 3 : 1 and quick ratio of 1.2 : 1. If the working capital is ₹1,80,000, calculate the total Current Liabilities and value of Inventory.

b) From the given information calculate the Inventory turnover ratio, Revenue from operations ₹2,00,000; GP: 25% on cost; Inventory at the beginning is $33\frac{1}{3}\%$ of the Inventory at the end which was 30% of Revenue from operations. 3

4. [a] Under which headings/Sub-headings, the following items will appear in the financial statement of a company as per Schedule III of Companies Act, 2013.

Sale of Scrap

Leave Encashment Expenses

Business Promotion Expenses

Advance recoverable in cash within the operating cycle.

Provision for Employees welfare

Calls in Arrears

[b] Ratio Analysis comes under which type of Financial Statement Analysis. 4

5 From the following information, prepare a Comparative Statement of Profit & Loss of Royal Furniture Mart Ltd.: [4]

Particulars	Note No.	31.3.2015 (₹)	31.3.2014 (₹)
Sales		150% of	120% of
Sale of Scrap		Materials Consumed	Materials Consumed

Cost of Materials Consumed		2,00,000	1,00,000
Other Expenses		30,00,000	20,00,000
Income Tax		20% of Materials Consumed	10% of Materials Consumed
		50%	50%
Sales		150% of Materials Consumed	120% of Materials Consumed
Sale of Scrap		2,00,000	1,00,000
Cost of Materials Consumed		30,00,000	20,00,000
Other Expenses		20% of Materials Consumed	10% of Materials Consumed
Income Tax		50%	50%

6. From the following Balance Sheets of Varun Ltd. as at 31st March, 2014 and 31st March, 2013, prepare Cash Flow Statement:

Particulars	Note No.	31 st March, 2014 (₹)	31 st March, 2013 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		1,50,000	1,25,000
(b) Reserves and Surplus	1	75,000	60,000
2. Non-Current Liabilities			
Long-term Borrowings: Bank Loan		20,000
3. Current Liabilities			
(a) Trade Payables	2	80,000	70,000
(b) Short-term Provisions	3	25,000	15,000
Total		3,50,000	2,70,000
II. ASSETS			
Non-Current Assets			
Fixed Assets		30,000	20,000
Long-term Investments		10,000	15,000
Current Assets			

Cash	1,00,000	50,000
Trade Receivables (Debtors)	90,000	98,000
Inventories (Stock)	1,20,000	87,000
Total	3,50,000	2,70,000

Notes to Accounts

	31st March, 2014 (₹)	31st March, 2013 (₹)
1. Reserves and Surplus		
Surplus, i.e., Balance in Statement of Profit and Loss	60,000	50,000
General Reserve	<u>15,000</u>	<u>10,000</u>
	<u>75,000</u>	<u>50,000</u>
2. Trade Payables		
Creditors	45,000	50,000
Bills Payable	<u>35,000</u>	<u>20,000</u>
	<u>80,000</u>	<u>70,000</u>
3. Short-term Provisions		
Provision for Tax	<u>25,000</u>	<u>15,000</u>

Additional Information:

1. During the year ₹5,000 depreciation was charged on fixed assets.
2. Company has paid ₹12,000 interim dividend during the year
3. Tax provided during the year ₹20,000.

Assignment 9

Part B : Financial Statement Analysis

- Q1 Inventory turnover ratio of a Company is 3 times. State, giving reason, whether the ratio will improve, decline or not change because of increase in the value of closing Inventory by ₹.5, 000 (1)
- Q2. KartikMutuals, a mutual fund company, provides you the following information:

	31st March 2013	31st March 2014
Proposed Dividend	20,000	15,000

Additional Information:

Equity Share Capital raised during the year 3,00,000

10% bank loan repaid was 1,00,000
 Dividend received during the year was 25,000
 Find out the cash flow from financing activities.

Q3. KartikMutuals, a mutual fund company, provides you the following information:

	31st March 2013	31st March 2014
Proposed Dividend	20,000	15,000

Additional Information:

Equity Share Capital raised during the year 3,00,000
 10% bank loan repaid was 1,00,000
 Dividend received during the year was 25,000
 Find out the cash flow from financing activities.

- Q4. a) How are the following items shown while preparing the Balance Sheet of a company?
 1. Debentures Redemption Reserve 2. Calls in Advance
 3. Building Under Construction 4. Loose Tool
 b) Give any two advantages of the Analysis of Financial Statement.

(2+2)

- Q5.. From the following information, calculate (any two)
 (a) Inventory Turnover Ratio,
 (b) Operating Profit Ratio
 (c) Return on Investment Ratio

Statement of Profit and Loss for the year ended 31st March, 2013

Particulars		Amount Rs.
(I)	Revenue from Operation(Sales)	
	5,40,000	
	<i>Less</i> Returns <u>40,000</u>	5,00,000
(II)	Other Incomes	60,000
(III)	Total Revenue	5,60,000
	Expenses:	
	Purchases	2,50,000
	Change in Inventories (Opening Inventory – Closing Inventory)	8,000
	Carriage	20,000
	Wages	58,000
	Other Expenses	30,000
(IV)	Total Expenses	3,66,000

(V)	Net profit before tax (III – IV)	1,94,000
	<i>Less:</i> Provision for Tax	58,200
(VI)	Net Profit after tax	1,35,800
	Additional information:	
	(1) Other incomes includes discount received Rs.5,000	
	(2) Opening stock was 60,000 and closing stock was Rs.68,000	
	(3) Other expenses include interest @10% on long term borrowings Rs.20,000 and remaining expenses relate to office & selling purposes.	
	(4) Shareholders' funds stood at Rs. 8,70,000	

Q5. Prepare a comparative statement of profit & loss of X Ltd., with the help of the following information:

(4)

Particulars	31.3.2011	31.3.2012
Revenue from Operations	Rs. 10,00,000	Rs.20,00,000
Cost of Materials Consumed	60% of Revenue	70% of Revenue
Other Expenses	40,000	60,000
Rate of Income Tax	50% of Net Profit before Tax	40% of Net Profit before Tax

Q6. From the following Balance Sheets of Captiva Ltd. prepare the Cash Flow Statement: (6)

Particulars	Note No.	31-3- 2013 (Rs)	31-3-2012 (Rs)
<u>Equity and Liabilities</u>			
1.Shareholders' Fund			
a) Share Capital	1	23,75,000	20,00,000
b) Reserve & Surplus	2	3,60,000	(50,000)
2. Non Current Liabilities			
Long term Borrowings	3	12,50,000	10,00,000
3. Current Liabilities			
Trade Payables		<u>5,50,000</u>	<u>2,50,000</u>
Total		<u>45,35,000</u>	<u>32,00,000</u>

Assets			
1. Non Current Assets			
a) Fixed Assets		22,60,000	8,50,000
b) Investment		2,25,000	2,00,000
2. Current Assets			
a) Inventories	4	10,00,000	7,50,000
b) Trade Receivables		2,80,000	8,80,000
c) Cash & Cash Equivalents		<u>7,70,000</u>	<u>5,20,000</u>
Total	5	<u>45,35,000</u>	<u>32,00,000</u>

Notes to Accounts:

1. Share Capital

Particulars	31/3/2012 (Rs)	31/3/2013 (Rs)
Equity Share Capital	15,00,000	20,00,000
12% Preference Share Capital	<u>5,00,000</u>	<u>3,75,000</u>
	<u>20,00,000</u>	<u>23,75,000</u>

2. Reserve & Surplus

Balance in Statement of P/L A/c.	(50,000)	3,60,000
----------------------------------	----------	----------

3. Long Term Borrowings

15% Debentures	10,00,000	12,50,000
----------------	-----------	-----------

4. Fixed Assets

Fixed Assets (tangible)	10,00,000	25,00,000
Less: Accumulated Depreciation	<u>1,50,000</u>	<u>2,40,000</u>
	<u>8,50,000</u>	<u>22,60,000</u>

5. Trade Receivables

Debtors	9,30,000	3,60,000
Less: Provision	<u>50,000</u>	<u>80,000</u>
	<u>8,80,000</u>	<u>2,80,000</u>

Additional Information:

- a) Dividend paid during the year on Equity shares Rs. 1,20,000
- b) Investment costing Rs.50,000 were sold at a profit of 40%
- c) Fixed assets costing Rs. 1,00,000 were sold for Rs.85,000
- d) Depreciation charged during the year was Rs. 1,30,000

GUIDELINES FOR PROJECT WORK IN ACCOUNTING (ISSUED BY C.B.S.E.)

The Board has introduced Project Work in Accounting for Class-XII in the Optional Part B : 'Financial Statement Analysis'. It is expected that the Project Work will help students in developing the skills to comprehend, analyse and interpret accounting data of the business firms and make it meaningful for making business decisions.

WEIGHTAGE OF MARKS

Class XII — Project Work	Duration : 1 Hour 30 Minutes
	Marks : 20 Marks
Unit 1 Project File	4 Marks - As Per Requirement (given below)
Unit 2 Written Test	12 Marks - One Hour
Unit 3 Viva Voce	4 Marks - As Per Requirement (given below)

Objectives

- *To enable a student to complete the accounting process in real life business situations and apply the tools of analysis as per the syllabus for a comprehensive project.*
- *To develop the competence of reading accounting data from quarterly or half yearly or annual reports of business firms and interpret the information on the basis of given guidelines to present the desirable information in required format in the Project File for Specific Projects.*

During the Holidays the students will work on comprehensive project which will involve the students from the initial stage of accounting to the preparation and analysis of financial statements. The data provided or the Project Statement will be as close to the real life situations as possible. The project statement should cover all important aspects like investments, financing, operating, adjustments to final accounts, etc. in a condensed form. The situations given in these problems will require a student to derive meaningful conclusion for taking decisions for the purposes of investment, expansion, financing, etc.

UNIT-1 PROJECT FILE

Students will prepare a Project File to record their work related to the problems attempted by them in the following format :

1. First page of the file should describe title of work, identity of student, school, and the teacher concerned.
2. Index to indicate columns for title work, page no., date, teacher's remarks and signature.
3. The format for Project Work will be:
 - Statement of the problem/Name of the Project
 - Objectives
 - Period of Study
 - Source Material
 - Tools of Analysis used
 - Processing and Tabulation of data
 - Diagrammatic/graphic presentation — pie-diagrammes, bar diagrammes and graphs.
 - Derivations, Interpretation and Conclusion
 - Assumptions (if any)

Project File should be neatly handwritten and presentable with page numbers. Each step of the solution needs to be highlighted. Conclusions drawn should be placed in boxes at the end.