

2024

**FINANCIAL REPORTING AND
FINANCIAL STATEMENT ANALYSIS — HONOURS**

Paper : DSE-6.1AH

Full Marks : 80

*The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. Explain the fundamental assumptions for preparation of Financial Statements as per Ind-AS 1. 5

Or,

Mention the objectives of Financial Statements. 5

2. From the following information, calculate the net cash flows from the Investing Activities of Tanbir Ltd.

	31.03.2023 (₹)	31.03.2024 (₹)
Plant and Machinery (at Cost)	6,00,000	8,00,000
Accumulated Depreciation	3,20,000	4,80,000
Investment	1,00,000	2,20,000

Additional information :

- (i) During the year, machinery costing ₹ 2,20,000 was sold for ₹ 1,00,000 (Accumulated depreciation of such machine ₹ 80,000).
(ii) During the year, machinery costing ₹ 1,80,000 was purchased by issuing equity shares at par, and the balance of machinery was purchased by cash payment.
(iii) Income from investment received during the year ₹ 25,000.

Show necessary workings. 5

3. From the following financial ratios of XYZ Ltd., compute (i) Return on Equity and (ii) Return on Assets. 5

Net profit Margin	12%
Asset Turnover	10 times
Equity Turnover	6.5 times.

Or,

Compute "Operating Ratio" and "Operating Expense Ratio" from the following and comment on them.

Cost of goods sold = $\frac{3}{4}$ of net sales

Income Tax = 20% of net profit before tax

Administrative expenses = ₹ 1,00,000

Net income after tax = ₹ 2,40,000

Selling expenses = ₹ 50,000

Other Income = ₹ 50,000.

Group - B

4. From the following particulars, identify the missing information of IN Ltd. :

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Year ended on 31st March	EBIT (₹)	Capital Employed (₹)	ROCE (%)	Trend % of EBIT (Base year 2020)
2020	?	4,00,000	10%	?
2021	?	5,00,000	?	150
2022	?	6,00,000	?	225
2023	?	8,00,000	20%	?
2024	2,00,000	?	25%	?

5. (a) Ayan Ltd. purchased equipment for ₹ 40,00,000. Its useful life and the cost of its components are estimated as follows :

Components	Estimated cost	Useful life
Motor of the Equipment	₹ 30,00,000	50,000 hours
Body	₹ 10,00,000	5 years

Ayan Ltd. charges component-wise depreciation as per Ind-AS 16, for the year 2023-24.

Calculate the amount of Depreciation to be charged. During the year the motor was used for 4200 hours. (Assuming the estimated scrap value of components is nil)

(3)

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(b) Pulu Ltd. purchased a Machine during the year 2023-24 the details of which are as below :

Purchase price of Plant and Machinery (before discount)	₹ 15,00,000
Trade discount	20% of purchase price
Cash discount	₹ 1,00,000
GST paid (Input tax credit is availed)	₹ 1,44,000
Installation and delivery charges	₹ 50,000
Site Preparation cost for the Machinery	₹ 30,000
Testing cost	₹ 10,000
Present value of initial estimated dismantling cost of the machine	₹ 15,000

Calculate the amount to be capitalised for Plant and Machinery as per Ind-AS 16.

4+6

Or,

Compute Basic earning per share from the following information for the year ended on 31.03.2024.

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(i) Profit from continuing operation before tax	₹ 13,00,000
(ii) Tax Rate	30%
(iii) 1,000 6% Cumulative Preference Shares of ₹ 100 each	₹ 1,00,000
(iv) No. of equity shares outstanding on 01.04.2023	1,00,000
(v) No. of equity shares issued for cash fully paid up on 01.08.2023.	20,000
(vi) Bonus shares issued in October 2023 in the ratio of 1 share for every 10 shares held on 01.04.2023	—
(vii) Buy-back of ordinary shares on 01.01.2024	10,000

Group - C

6. The Balance Sheets of PM Ltd. and SB Ltd. as at 31.03.2024 are as follows :

Particulars	PM Ltd. (₹)	SB Ltd. (₹)
Equity and Liabilities		
Shareholders' Fund :		
Equity Share Capital (₹ 10 each)	5,00,000	1,00,000
General Reserve	1,20,000	60,000
Profit & Loss Account	2,00,000	40,000
Non-Current Liabilities :		
12% Debentures	—	1,00,000
Current Liabilities :		
Creditors	40,000	50,000
Bills Payable to PM Ltd.	—	20,000
Provision for tax	60,000	30,000
Total	9,20,000	4,00,000
Assets		
Non-current Assets :		
Property, Plant and Equipment :		
Land	2,60,000	1,10,000
Plant and Machinery	2,00,000	1,80,000
Non-current Investments :		
Investment in shares of SB Ltd.	2,20,000	—
Investment in 1000 Debentures of SB Ltd.	98,000	—
Current Assets :		
Inventories	32,000	50,000
Debtors	40,000	30,000
Bills Receivable from SB Ltd.	20,000	—
Cash and Bank	50,000	30,000
Total	9,20,000	4,00,000

Further Information :

- (i) PM Ltd. acquired 9,000 shares in SB Ltd. on 01.10.2023. The balances of reserves and surpluses of SB Ltd. on 01.04.2023 were (i) General Reserve : ₹ 10,000, (ii) Profit & Loss A/c (Cr.) : ₹ 20,000
- (ii) On 01.10.2023 SB Ltd. revalued its Plant and Machinery by ₹ 40,000 more than book value but no entry has been passed by SB Ltd. (ignore depreciation)

(5)

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(iii) SB Ltd. paid dividend @ 12% on 15.10.2023 for the year 2022-23 and also another dividend @ 10% on 01.12.2023 for the year 2023-24. Share of both the dividends were credited in the Profit & Loss A/c by PM Ltd.

(iv) Debtors of PM Ltd. includes ₹ 20,000 for goods supplied to SB Ltd. by PM Ltd. at cost and entire goods are left unsold till 31.03.2024. However, creditors of SB Ltd. include 15,000 due to PM Ltd.

Prepare a Consolidated Balance Sheet of PM Ltd. and its subsidiary SB Ltd. as on 31.03.2024. 15

7. The following is the summarised Balance Sheet of SJ Ltd. as on 31.03.2023 and 31.03.2024 :

Particulars	31.03.2023	31.03.2024
Equity and Liabilities :		
Equity Share Capital of ₹ 10 each fully paid	12,00,000	14,80,000
10% Preference Share Capital	4,00,000	2,80,000
General Reserve	6,80,000	8,00,000
Capital Reserve	—	40,000
Profit & Loss Balance	3,60,000	5,44,000
9% Debentures	4,00,000	3,00,000
Creditors	4,80,000	5,20,000
Provision for tax	3,60,000	3,56,000
Total	38,80,000	43,20,000
Assets :		
Property, Plant and equipment - Machinery	22,80,000	26,40,000
Non-current Investment	4,00,000	3,20,000
Cash	10,000	10,000
Inventories	2,16,000	3,00,000
Other current assets	8,94,000	10,10,000
Preliminary expenses	80,000	40,000
Total	38,80,000	43,20,000

Additional information :

- The company sold one fixed asset for ₹ 90,000, the cost of which was ₹ 1,20,000 and the depreciation of ₹ 20,000 was provided on it. Depreciation on Fixed Assets provided ₹ 3,20,000 during 2023-24.
- Company sold some investments at a profit of ₹ 40,000 which was credited to Capital Reserve.
- Debentures are redeemed at par and Preference shares were redeemed at 5% premium, both on 01.04.2023.

(iv) Company decided to value stock at cost, whereas previously, the practice was to value stock at cost less 10%. The stock on 31.03.2024 was correctly valued at ₹ 3,00,000.

(v) Tax paid during the year ₹ 3,20,000.

(vi) During the year the company paid preference dividend and 10% equity dividend for 2022-23.

Prepare Cash Flow Statement as per AS-3.

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Or,

(a) From the following particulars, calculate the closing balance of the working capital for the year ended 31.03.2024 of US Ltd.

Operating Profit after depreciation and tax	₹ 1,20,000
Depreciation charged	₹ 30,000
Issue of equity shares	₹ 2,00,000
Bad debt written off	₹ 12,000
Redemption of Debentures	₹ 1,10,000
Loan repaid	₹ 1,50,000
Dividend paid	₹ 20,000
Tax provided during the year	₹ 34,000
Tax paid during the year	₹ 32,000
Working capital as on 01.04.2024	₹ 50,000

(b) State, along with the values, whether the following transactions represent sources or applications of fund or no change of fund, where fund indicates working capital :

- (i) Earnings before depreciation and tax ₹ 2,25,000
- (ii) Interest received on non-current investment ₹ 50,000
- (iii) Buyback of shares ₹ 1,00,00
- (iv) Purchase of inventory by issuing equity shares ₹ 50,000
- (v) Creditors taken over debtors ₹ 25,000
- (vi) Unclaimed dividend paid ₹ 5,500
- (vii) Conversion of Debentures into equity shares ₹ 80,000
- (viii) Received non-current investment of ₹ 40,000 from debtors in full settlement of their dues of ₹ 42,000.

(7)

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8. (a) From the following information of MN Ltd., prepare a Balance Sheet as on 31.03.2024.

Current Ratio	2.5
Liquid Ratio	1.5
Net working capital (25% of Shareholders fund)	₹ 3,00,000
Cost of Revenue from operation / Closing inventory = 6 times	
Gross Profit Ratio	25%
Debt collection period	1 month
Reserve/shareholder fund	$33\frac{1}{3}\%$
There is no bank overdraft.	

(b) Mention the nature (or type) of ratio that would be used in each of the following situations and also mention the name of one ratio with the formula for the type :

- For a bank approached by a company for a working capital loan of ₹ 5,00,000
- For a long-term lender interested in determining whether his / her claim is adequately secured.
- For a shareholder who is examining whether he / she should hold or sell the investment.
- For a finance manager interested to know the operating effectiveness with which a firm uses its available resources.

7+8

Or,

From the following information, prepare the Projected Statement of Profit and Loss for the next financial year ending 31.03.2024 and the Projected Balance Sheet as on that date of CD Ltd. :

Rate of Gross Profit	25%
Net Profit to Equity Capital	10%
Stock Turnover Ratio (Based on COGS)	5 times
Debtors Collection period	3 months
Creditors Velocity	3 months
Current Ratio	2 : 1
Proprietary ratio (Fixed Assets to Capital Employed)	80%
Capital Gearing Ratio (10% Debentures to Shareholder's Fund)	1 : 5
General Reserves and Profit and Loss to issued Equity Capital	25%

Cost of Goods Sold consists of 40% for materials and balance for wages and overheads. Gross Profit is ₹ 6,00,000. Working notes should be shown clearly. Debentures were outstanding throughout the year. Schedule III is not mandatory.

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