

STUDY MATERIAL ON HOTS

Subject: Accountancy CLASS – XII

Part –B

Analysis of Financial Statements

Unit 5

Analysis of Financial Statements

- Qus:1 How will you show the following items in the Balance sheet of a company.
(i) Loose tools (ii) Livestock
- Qus:2 Under what heads the following items on the Liabilities side of the Balance sheet Of a company will be presented
(i) Provision for taxation.
(ii) Bills Payable
- Qus:3 State any two items which are shown under the head ‘Reserves and Surplus’ 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) Patents.
(ii) Discount on issue of Debentures
(iii) Sundry Debtors
(iv) Securities Premium.
(v) Railway siding.
- 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 examples Of “Miscellaneous Expenditure”
- Q 9. State how the creditors are interested in the Analysis of Financial statements.
- Qus:10 Prepare Comparative income statement from the following information for the years ended march
31,2003 and 2004.

Particulars	2003(Rs.)	2004(Rs.)
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1.Net Sales	10,00,000	15,00,000
2.Cost of Goods Sold	60% of sales	60% of sales
3. Direct Expenses	10,000	12,000
3.Indirect Expenses	10% of Gross profit	10% of Gross Profit
4.Income Tax rate	50%	60%

Interest on Investments @ Rs 40,000 p.a

RATIO ANALYSIS

Qus:1 How will you assess 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 wants to improve this ratio to 2. Suggest any two accounting transactions for improving the current ratio.

Qus:3 State one transaction which results in an increase in 'liquid ratio' and no change 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 results in a decrease in ' debt-equity ratio ' and no change in ' current Ratio '.

Qus:7 How does ratio analysis become less effective when the price level changes?

Qus:8. Indicate which ratio a shareholder 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, 2,000 equity shares of Rs. 10 each, Rate of tax @ 50%
calculate earning per Share(EPS).

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