BAL BHARATI PUBLIC SCHOOL

Ganga Ram Hospital Marg, New Delhi-60

CLASS –XII
ASSIGNMENT- 10

SUBJECT – ACCOUNTANCY
TOPIC – FINANCIAL ANALYSIS & TOOLS FOR FINANCIAL ANALYSIS

Q 1 What do you mean by "Analysis of financial statements'. How does it differ from int interpretation of financial statements?

Q 2 Explain (i) Vertical analysis (ii) Horizontal analysis

Q 3 Why are the following parties interested in analysis of financial statements:

(i) Shareholders (ii) Employees (iii) Regulatory authority (iv) Creditors (v) management.

Q 4 List the objectives of financial analysis. Explain the advantages & limitations of financial analysis.

TOOLS FOR FINANCIAL ANALYSIS

Q 1 List the tools of financial analysis & briefly explain them.

Q 2 What constitutes financial statements? Explain Intra firm & Inter firm comparision

Q 3 State the difference between comparative statement & common size statement.

Q 4 State any two objectives of comparative financial statements.

RATIOS

Q 1 Define 'Ratios'.

Q 2 What is meant by Cross sectional analysis , Time series analysis , & Benchmarks.

Q 3 What are the different ways in which ratios can be expressed?

Q 4 List the advantages & disadvantages of ratio analysis.

Q 5 List the significance of the following ratios:

Liquidity ratios , Solvency ratios , Profitability ratios & Turnover ratios

Q 6 How do we deal with ' provision for doubtful debts' while computing (i) Debtors

Turnover ratio (ii) Current ratio

Q 7 How is turnover ratios related to profitability ratios?

Q 8 Give any two differences between Current ratio & Quick ratio

Q 9 Why would inventory turnover ratio be more important for analyzing a grocery store than an insurance company.

Q 10 The current ratio of a co. is 2:1. State giving reasons which of the following transactions would improve , reduce or not alter the current ratio

- (i) Repayment of current liability
- (ii) Purchasing goods on credit
- (iii) Sale of office typewriter (book value Rs 4000) for RS 3000.
- (iv) Sale of merchandise (cost Rs 10000) for Rs 11000
- (v) Payment of dividend
- (vi) Sale of motor car for cash for RS 15000
- (vii) Redemption of debentures
- (viii) Cash received from debtors
- (ix) Debentures converted into shares.

Q 11 Average stock 80000, stock turnover ratio 6 times, selling price 25% above cost. Calculate gross profit ratio. (Ans 20%)

Q 12 Quick assets 150000, stock 40000 , prepaid expenses 10000, working capital 120000.Calculate current ratio. (Ans 2:1)

Q 13 Total assets 880000, fixed assets 400000, capital employed 800000. There are no long term investments. Calculate current ratio. (Ans 6:1)

Q 14 The debt equity ratio of a company is 2:1. Which of the following transactions will increase , decrease or not change it:

- (i) Issue of equity shares
- (ii) Redemption of debentures for cash
- (iii) Purchased goods on credit
- (iv) Redemption of debentures by conversion into shares
- (v) Cash received from debtors
- (vi) Issue of shares against the purchase of fixed assets.
- (vii) Issue of debentures against the purchase of fixed assets.
- (viii) Buy back of equity shares.
- (ix) Issue of 50% debentures & 50% shares against the purchase of fixed assets.

Q 15 Capital employed 400000 , fixed assets 280000 , current liabilities 40000. There are no long term investments. Calculate current ratio. (ans 4:1)

Q 16 Total assets 1000000, total debt 800000, current liabilities 400000,. Calculate debt-equity ratio. (ans 2:1)

Q 17 Long term debt 200000, capital employed 300000, current liabilities 100000. Calculate total assets- debt ratio. (ans 2:1)

Q 18 Long term debt 600000, shareholders fund 300000, current liability 300000. Calculate total asset –debt ratio. (ans 2:1)

Q 19 A firm had a current liability of 90000. It then acquired stock in trade at a cost of Rs 10000 on credit. After this acquisition the current ratio was 2:1. Determine the size of current assets & working capital before & after the stock was acquired.

(ans: CA 190000,200000

WC 100000, 100000)

Q 20 Calculate opening & closing debtors from the following: Stock turnover ratio 3 times , Average debt collection period 4 months , average stock 100000, Cash sales being 33 1/3% of credit sales , Gross profit ratio 25%, Debtors at end 3 times more than in the beginning. (ans :OD-40000; CD-160000)

Q 21 Liquid ratio 1.5 , current ratio 2 , inventory turnover ratio 6 times , total current assets 800000 , goods sold at 20% profit on sales. Find sales. (ans-1500000)