

Chapterwise Question

TOOLS FOR FINANCIAL STATEMENT ANALYSIS

Class 12 - Accountancy

Time Allowed: 2 hours

Maximum Marks: 40

Section A

1. Which of these are limitation of Financial statements: [1]
 - a) Measuring of solvency
 - b) Measuring of earning capacity or profitability
 - c) Measuring of financial strength
 - d) Static statements
2. Following are the limitations of financial analysis except [1]
 - a) To make comparative study within the firm and with other firms
 - b) Single years' Analysis of financial statement have limited use.
 - c) Affected by the personal ability and bias of the Analyst
 - d) Don't reflect changes in price level.
3. Comparative Financial Statement is an example of [1]
 - a) Horizontal analysis
 - b) Vertical Analysis
 - c) Internal Analysis
 - d) External analysis
4. The analysis of a financial statement by a shareholder is an example of: [1]
 - a) Internal Analysis
 - b) Vertical Analysis
 - c) External Analysis
 - d) Horizontal Analysis
5. Main limitation of analysis of financial statements is: [1]
 - a) Affected by window dressing
 - b) Do not reflect changes in the price level
 - c) Difficulty in forecasting
 - d) All of these
6. Which of the following is not a limitation of Financial Statements Analysis? [1]
 - a) Ignores price level changes
 - b) It is affected by personal bias
 - c) Inter-firm comparative study possible
 - d) Lack of qualitative analysis
7. Which of the following is not a limitation of analysis of financial statements? [1]
 - a) Price level changes ignored
 - b) Intra firm comparison possible
 - c) Subjectivity
 - d) Window Dressing
8. Analysis of Financial statements suffers from the limitation of window dressing which means.... [1]
 - a) All of these
 - b) may overvalue closing stock to show higher profits
 - c) hide some vital information
 - d) show items at incorrect value to portray better profitability

9. Main objective of analysis of financial statements is: [1]
- a) All of these b) To know the efficiency of management
c) To know the financial strength d) To make a comparative study with other firms
10. The financial analysis becomes significant because it: [1]
- a) ignores price level changes b) is affected by personal bias
c) measures the efficiency of business d) lacks qualitative analysis
11. Feature of financial analysis is to present the data contained in financial statements in: [1]
- a) Comparable form b) Convenient and rational groups
c) All of these d) Easy form
12. The information available from the Analysis, serves which of the following sections [1]
- a) Stock Exchange b) Potential Investors
c) Economist and Researchers d) All of these
13. It helps in ascertaining change in the items of income statement and Position Statement of different years in terms of figures and percentage. [1]
- a) Ratio Analysis b) Common Size statements
c) Trend Analysis d) Comparative statements
14. Shareholders are interested in the analysis of financial statement because.... [1]
- a) For the assessment of tax b) For the payment to the financial institutions
c) They want to judge the present and future earning capacity of the business. d) For Research
15. The financial statements of a business enterprise include: [1]
- a) All of these b) Profit & Loss Account
c) Cash Flow Statement d) Balance Sheet
16. Financial analysis becomes useless because it: [1]
- a) measures the Solvency b) lacks Qualitative Analysis
c) makes a comparative study d) measures the profitability

Section B

17. One of the objectives of 'financial statement analysis' is to identify the reasons for change in the financial position of the enterprise. State two more objectives of this analysis. [2]
18. State any three advantages of Analysis of Financial Statements. [2]
19. What is meant by 'analysis of financial statements'? State any two objectives of such an analysis. [2]
20. What is meant by Analysis of Financial Statements? What is its importance to shareholders and employees? [2]

Section C

21. Explain briefly any four objectives of **Financial Statement Analysis**. **OR** [3]
State the objectives of 'analysis of financial statements'. [3]

22. .. Prepare Common-size Statement of Profit and Loss from the following for the year ended 31st March 2013.

Particulars	(Rs.)
Revenue from Operations	21,00,000
Cost of Materials Consumed	9,90,000
Other Expenses	3,90,000
Interest on investment	80,000
Tax Payable	50%

Balance Sheets of Blue Bell Ltd. as at 31st March 2013 and 2012 are given below :

Section D

23. What do you understand by analysis and interpretation of financial statements? Discuss their importance. [5]
24. Balance Sheets of Blue Bell Ltd. as at 31st March 2013 and 2012 are given below : [5]

Balance Sheet

as at 31st March 2013 and 2012

	Particulars	31st March 2013 Amount (Rs)	31st March 2012 Amount (Rs)
I.	EQUITY AND LIABILITIES		
	1. Shareholders' Funds Share Capital		
	Share Capital	3,44,000	4,26,000
	2. Non-Current Liabilities		
	Long-term Borrowings	4,38,000	6,96,000
	3. Current Liabilities	78,000	2,98,000
		8,60,000	14,20,000
II.	ASSETS		
	1. Non-Current Assets		
	(a) Fixed Assets	4,30,000	5,68,000
	(b) Investments	4,000	6,000
	2. Current assets	4,26,000	8,46,000
		8,60,000	14,20,000

Prepare Comparative Balance Sheet showing percentage changes from 2012 to 2013.