

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2017-19)**  
**PGDM Trimester I Examination September 2018**

<b>Subject</b>	<b>FINANCIAL STATEMENT REPORTING ANALYSIS</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>24.09.2018</b>

**Note: Q1 of PART A is compulsory and solve any FOUR from the remaining SIX questions in PART B.**

**Part - A**

**20 Marks (Compulsory)**

**Q1. Please complete the empty field of P/L statement and balance sheet with the information given below:**

**P/L of Company XXX**

Revenue	1000
Gross Profit	
Less: Operational Expenses	
Operational Profit(EBIT)	
EBT	
Less: Tax	
Earning After Tax (EAT)	40

**Balance Sheet**

Fixed Asset		Current Liabilities	200
Inventory		Debt	
Debtors		Equity	
Total Current Asset			
Total Asset		Total Liability & Equity	

- i. Return on Equity: 20%
- ii. Corporate Tax rate: 20%
- iii. Current Ratio: 2
- iv. Total Asset Turn Over: 0.5
- v. Operational Expenses (As a % of Sales) : 30%
- vi. Collection period: 36 days
- vii. Assume 1 year = 360 days

**Attempt Any TWO from the Remaining FOUR Questions**

**PART- B**

**Any FOUR from the following SIX questions————— (4x10) = 40 Marks**

- A. Why do you think Annual report is important for customer, supplier and employee(s) of a company? According to you, what could be the significance for Chairman Message, management discussion analysis of annual report of a company?
- B. As an analyst, which method do you support and why – Capitalization of depreciation expenses or immediate expense off depreciation.  
Both Companies A & B have same EBITDA of \$10000 for next 3 years and both are in tax bracket of 30%. Both have purchased machinery of 3000 (with useful life of 3 years). A capitalized depreciation on straight line basis, B expensed off. Please show 3 years Net profit for both company A & B and interpret.
- C. ABC Inc made following transactions during the year: Jan 01: Beginning inventory of 200 valued at \$5000, Mar01: Purchase 500 @ \$30 per unit, Apr01: Sold 350 @ \$500 per unit, Jul01: Sold 100 @ \$560 per unit, Sep01: Purchased 350 @ \$35 per unit, Nov01: Purchased 50 @ \$50 per unit. Please calculate the value of closing inventory as per LIFO method and FIFO method.
- D. In following table, some ratios of company XYZ are given. As an analyst, **please** suggest to investors what are the strength(s) and weakness(s) of this company. For analysis, please use the following ratio data only.

	2014	2015	2016	2017	2018
Current ratio	1.071	1.1	1.111	1.021	1.043
Quick ratio	0.38	0.45	0.47	0.5	0.52
Average Collection Period	6.3	6	7	7.9	10.6
Stock turnover	8	8.9	8.4	9.7	9.5
Gross margin (%)	12	13.04	15.25	17.25	20.06
ROA	17.67	20.32	22.55	24.29	26.12
Net Margin (%)	7.32	8.55	10.61	12.54	14.99

- E. Why do you think a universal accounting standard is necessary? Please provide critical analysis on the ongoing debate of decision usefulness Vs Stewardship on accounting standard. According to you, what is true and fair value?
- F. Company X has purchased an asset for \$1000000 and estimated its useful life of 5 years and then decided to sell at salvage value of \$100000. Show the depreciation schedule (as per MACRS of 5 years). Also, please find out what will be after tax gain (loss if any) at the time of selling asset.

MACRS Depreciation of 5 years

Recovery Year	5-Year
1	20.00 %
2	32.00 %
3	19.20 %
4	11.52 %
5	11.52 %
6	5.76%