**Financial Statement Analysis**

**September 2023 Examination**

**Question1**

**Mr Kamat joined the company named ABC Ltd as an accounts executive. On the very first day, his senior gave him the task of assessing the financial statements of the competitor and asked him to perform trend analysis. If you being the senior, discuss about the objectives of financial statement analysis and characteristics of trend analysis with Mr Kamat so that he can start the work with hundred percent dedication. (10 marks)**

**Ans :**

**Introduction:**

**Dear Mr. Kamat,**

Welcome to ABC Ltd! I am delighted to have you on board as our new money-owed executive. These days are your first day, and I have an exciting project for you. I would like you to assess the financial statements of our competitor and perform a trend analysis. This can assist you advantage precious insights into our industry and contribute to our company's strategic choice-making process.

Financial announcement analysis is a critical component of comparing a company's overall financial performance and expertise in its position in the market. Analyzing monetary

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**Question2**

**Marry Kom is planning to invest in the share market. She has a profile of risk seeker investor but she believes that before investing it is important to understand market ratios effectively. Discuss any five market ratios with their importance that Marry Kom should look into before undertaking any investment decision. (10 marks)**

**Ans :**

**Introduction:**

Investing in the proportion market can be rewarding, but it comes with its fair percentage of risks. As an investor, it is vital to understand the market and the elements that can impact funding selections. A critical component of studying potential investments is inspecting market ratios. Market ratios provide insights into a business enterprise's monetary fitness and performance, enabling investors to make knowledgeable selections. In this discussion, we discover five important marketplace ratios that Marry Kom, a risk-seeking investor, needs to remember before making funding selections.

**Question3**

**The following information is available in relation to Britannia Company. The Company has profit before taxes of Rs 50 lacs.**

1. **Classify and give reasons for the cash flows falling under the operating activities (5 marks)**

**Ans :**

**Classifying Cash Flows under Operating Activities:**

Operating sports are the number one sport of a corporation that generates revenue. They include cash inflows and outflows at once related to the business's core operations. Based on the supplied statistics, the following items can be classified as operating sports:

**1. Stock sold for the year (Rs 95 lacs):**

The sale of stock represents the principle revenue-producing pastime for Britannia

**B. Classify and give reasons for the cash flows falling under the investing activities. (5 marks)**

|  |  |
| --- | --- |
| **Particulars**  | **Amount** **Rs in (Lacs)**  |
| **1. Tangible assets purchased during the year**  | **75**  |
| **2. Depreciation charged on these tangible assets for the year @ 10%**  | **?**  |
| **3. Stock sold for the year**  | **95**  |
| **4. Loan given to Big Boy Company**  | **150**  |
| **5. Interest received from Big Boy company for the said loan @11.5%**  | **?**  |
| **6. Shares purchased of a company called as Arvind Mills**  | **10**  |
| **7. Dividend Received from Arvind Mills**  | **1**  |
| **8. Taxes paid for the year @ 30%**  | **?**  |

**Ans :**

Coins flow falling under investing activities are generally associated with obtaining and casting off long-term assets and investments. Based on the information provided, let us classify the cash flows and offer reasons for them falling below investing activities:

**1. Tangible assets purchased during the year: Rs 75 lacs**