**Financial Statement Analysis**

**December 2023 Examination**

**Question 1**

**Financial statement analysis is a critical process that helps stakeholders, such as investors, creditors, and management, evaluate a company's financial performance, position, and overall health. Various tools and techniques are employed to conduct financial statement analysis, each providing unique insights into different aspects of the company's financials. Discuss the above statement, by referring specifically the various essential tools used in financial statement analysis.**

**Ans:**

**Introduction**

Economic statement analysis is an essential method stakeholders use to comprehensively verify a corporation's financial performance, role, and health. These stakeholders, buyers, lenders, and control rely on economic statement analysis to make informed decisions. By employing various tools and strategies, financial analysts can interpret financial data and gain valuable insights into an organization's operations, profitability, solvency, and growth capability. This evaluation helps stakeholders make strategic decisions regarding investments, loans, and business techniques, ultimately contributing to a company's sustainable growth and success.

**Concept & application**

Financial assertion analysis includes inspecting a company's financial statements to

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**Question 2**

**Financial statement analysis is crucial for Marry Kom's long-term investing journey as it helps her comprehend a company's financial health and performance. By evaluating balance sheets, income statements, and cash flow statements, she can gauge its stability and growth potential**

**She learned that investing for long term not only help her in earning dividend income, but also generate considerable amount of capital appreciation and so on. She started taking the initial steps towards investing by performing the financial statement analysis of various companies listed at BSE.**

**Discuss the relevance of financial statement analysis and also the relevance of any five ratio’s related to profitability.**

**Ans:**

**Introduction**

Monetary statement analysis is a pivotal component of sound funding decision-making. For individuals like Mary Kom venturing into long-term investing, understanding a company's financial fitness and performance is crucial. Buyers can verify a company's balance, growth capability, and general financial position by inspecting balance sheets, income statements, and cash-waft statements. This analysis affords precious insights into a company's operations, efficiency, and profitability, helping buyers make informed investment alternatives. This discussion explores the significance of financial statement analysis in Mary Kom's investment journey and delves into the relevance of five key profitability ratios.

**Concept & Application**

Financial statement analysis entails scrutinizing an employer's financial reviews to evaluate

**Question 3**

**To calculate the cash flow from operating activities, its’s important to adjust for cash outflows and cash inflows from the core business operations. The resulting figure indicates the net cash generated or used by the company's day-to-day activities.**

|  |  |
| --- | --- |
| **Particulars** | **(in Rs)** |
| **Depreciation on machinery** | **5500** |
| **Increase in creditors** | **7000** |
| **Increase in stock** | **5000** |
| **Increase in payables** | **30000** |
| **Net profit before taxes** | **110000** |
| **Increase in debtors** | **8600** |

**a. Calculate cash flow from operating activities. (5 Marks)**

**Ans:**

**Introduction:**

Knowledge, and as it should be, calculating cash float from working sports is fundamental to assessing a company's monetary health and operational efficiency. Cash float from operating activities represents the internet amount generated or utilized through a company's day-to-day Business operations, excluding cash flows from investing and financing activities. It, in reality, shows a company's ability to generate cash via its core operations and meet its brief-

**b. Discuss about the cash flow from operating activities as a concept. If the cash flow of the company from the operating activities comes to (140000), what does this indicate? Discuss and conclude.**

**Ans:**

**Introduction to Cash Flow from Operating Activities**

Cash flow from running activities is a fundamental monetary metric used to evaluate a company's capacity to generate cash through its core enterprise operations. It represents the Internet cash inflows and outflows due to the day-to-day Sports are involved in producing and promoting items or services. Operating sports are a company's number one sales-generating sports and generally encompass transactions associated with sales, purchases, and