

POST-GRADUATE COURSE

Term End Examination — December, 2009

M.Com.

FINANCIAL STATEMENT  
ANALYSIS AND REPORTING

PAPER XV

Time — 2 hours

Full marks—50  
(Weightage of marks—80%)

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Module – 1

Answer **any two** questions :  $12\frac{1}{2} \times 2 = 25$

1. (a) Why is inter-firm comparison necessary ?  
(b) Discuss the Pyramid structure of ratios used for inter-firm comparison.  $4+8\frac{1}{2}$
2. (a) What is the justification of preparing cash flow statement in addition to preparing the traditional accounting statements ?  
(b) Explain the various cash return ratios and quality of income ratios.  $5+7\frac{1}{2}$
3. What do you mean by 'growth' of a firm ? In analysing growth, should the analyst focus on growth in residual earnings or abnormal earnings or both ? Explain.

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4. (a) Discuss the major objectives of analysing financial statements.  
(b) Calculate net profit margin, operating margin and operating ratio from the following particulars :  
Net Sales – Rs. 12,00,000 ; Cost of goods sold – Rs. 5,00,000 ; Salaries – Rs. 1,00,000 ; General Expenses – Rs. 60,000 ; Selling Expenses – Rs. 2,10,000 ; Interest on Loans – Rs. 80,000 ; Interest on investment – Rs. 15,000 ; Brokerage & Commission paid – Rs. 30,000 ; Provision for taxes – Rs. 25,000.

Module – 2

Answer **any two** questions :  $12\frac{1}{2} \times 2 = 25$

5. Discuss the statutory requirements for disclosure of financial information by Indian Companies ?  $12\frac{1}{2}$
6. (a) Define 'merger'. How does it differ from acquisition or takeover ?  
(b) Define "bond risk premium".  $8+4\frac{1}{2}$
7. (a) Explain the role of financial analyst in an efficient stock market.  
(b) Explain how efficient market theory provides an explanation for random walk hypothesis.  $7+5\frac{1}{2}$
8. ABC Co. Ltd is considering acquisition of either XYZ or PQR Company. The details of which are given below :  
Explain which merger proposal should ABC Co. Ltd go for and why ?

Particulars	ABC	XYZ	PQR
Profit after tax (Rs. '00,000)	150	30	48
Number of Shares (in lakh)	25	8	12
Earning per share (Rs.)	6.00	3.75	4.00

(3)

*PG CO-XV*

Market price per share (Rs.)	30.00	20.00	15.00
Price earning ratio (times)	5	5.33	3.75
Total market capitalization (Rs. lakh)	750	160	180
Present value of the firm to be paid for an merger (in lakh)	—	180	210
Expected market price of ABC Co. Ltd's shares after merger is Rs. 30 per share.			12½