## Accountancy with Analysis of Financial statements SET - A <br> SCORING KEY

| $\begin{aligned} & \text { Qn. } \\ & \text { No. } \end{aligned}$ | Sub. <br> Qn. | Scoring Indicators | Score | Total |
| :---: | :---: | :---: | :---: | :---: |
| PART A |  |  |  |  |
| 1 |  | b. Old ratio | 1 | 1 |
| 2 |  | b. Rs. 47000 | 1 | 1 |
| 3 |  | c. Surplus or Deficit | 1 | 1 |
| 4 |  | b. Debited to old partners | 1 | 1 |
| 5 | a | Value of stock reduced by Rs. 1200 | 1 |  |
|  | b | Value of land increased by Rs. 5000 | 1 | 2 |
| 6 |  | New ratio is 4:4:1 | 2 | 2 |
| 7 |  | Capital receipts : Legacy, Life membership fees etc <br> Revenue receipts : Subscriptions, Sale of old news papers etc |  | 2 |
| 8 |  | Interest on capital Rs. 3375 | 2 | 2 |
| 9 |  |  | $2$ | 3 |
| 10 |  | Divisible profits Rs. 23100 | Int. On <br> Cap-1 <br> Int. On <br> Draw-1 <br> For answer <br> - 1 | 3 |
| 11 | a | Value of goodwill $=18000 \times 2=36000$ | 2 |  |
|  | b | X's capital a/c Dr 3600 <br> Y's capital a/c Dr 2400 | 2 | 4 |


|  |  | To Z's capital a/c 6000 |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 12 | a | Sacrificing ratio | 1 | 4 |
|  | b | Gaining ratio | 1 |  |
|  |  | For any two differences | 2 |  |
| 13 | a | Revaluation a/c Dr 3000 <br> To Inventory a/c 3000 | 1 | 5 |
|  | b | Revaluation a/c Dr 2000 <br> To Patents 2000 | 1 |  |
|  | c | Creditors a/c  <br> To Revaluation a/c Dr 1000 <br>   <br> 1000  lan | 1 |  |
|  | d | Cash a/c Dr 3600  <br> Revaluation a/c Dr 400  <br> $\quad$To Furniture a/c  4000 | 1 |  |
|  | e | Revaluation a/c $\quad \operatorname{Dr} 700$ To Liability for damages 700 | 1 |  |
| 14 |  | Interest on capital - Rs. 1250 <br> Share in GR - Rs. 4800 <br> Profit to date of retirement - Rs. 3000 <br> Amount transferred to Loan a/c Rs. 35000 | $\begin{aligned} & 1 \\ & 1 \\ & 2 \\ & 1 \end{aligned}$ | 5 |
| 15 |  | Revaluation a/c - Profit Rs. 1475 <br> Capital a/c - Rs.50885, Rs. 45590 , Rs. 20000 <br> Balance Sheet - Rs. 170975 | $\begin{aligned} & 3 \\ & 3 \\ & 2 \end{aligned}$ | 8 |
| 16 |  | Explanation of various methods of goodwill | $4 \times 2$ | 8 |

PART B Analysis of Financial statements


| a)Land a/c Dr <br> Siva Ltd A/c | 2500000 |  |
| :--- | :---: | :---: |
| b)Siva Ltd A/c Dr <br> Equity Share Capital A/c | 2500000 | 2500000 |
|  | 2500000 |  |

(i) First year is taken as the base year
(ii) Trend percentage $=$ present year value $/$ base year value * 100
(i) Outstanding Expenses -Current liabilities
(ii) Prepaid Rent -Current Asset
(iii) Patents - Non current asset
(iv) Bank overdraft- Current Liabilities

Any meaningful explanation about (a) inter-firm comparison
(b) Trend analysis
a)Calls in arrears amount received
b)Issue of equity shares to promoters
c)Issued $12 \%$ debentures to Vendor Co ABC Ltd
(a) Common Size Statements, Comparative Statements, Trend analysis, and Ratio Analysis.
(b) Explain the limitations of financial analysis.
(a) Top management-Performance of the enterprise as a whole
(b) Lenders-Assess future solvency
(c) Investors-Present and future profitability
(d) Labour unions-Better remunerations
(e)Government-Price regulation and Taxation(1 score each)
(a) Parties inside the firm- Finance Manager, Top management etc.

Parties outside the firm- Lenders, Investors etc. (2 score)
(b) Uses of financial statement analysis to the above parties (3 Score)

Management: To know the profitability, liquidity and solvency position; to measure the effectiveness of its own decisions taken and to take corrective measure in future.

- Investors: Investors want to know the earning capacity and future growth prospects of the business which helps in assessing the safety of their investment and reasonable return.
- Creditors: Short-term creditors want to know the liquidity position of the business where as long term creditors want to know about the solvency position and ability to pay the interest consistently or any meaningful 3 uses.
(a)Preparation of Comparative Statement of Profit or Loss

|  |  |  | (Decrease) | Increase <br> (Decreas <br> e) |
| :--- | ---: | ---: | ---: | ---: |
| (a) Sales | $6,00,000$ | $8,00,000$ | $2,00,000$ | $33.33 \%$ |
| (b)Cost of goods sold | $3,00,000$ | $6,00,000$ | $3,00,000$ | $100.00 \%$ |
| (c) Gross Profit(a-b) | $3,00,000$ | 200000 | -100000 | $(33.33 \%)$ |
| (d) Indirect Expenses | $1,80,000$ | 90,000 | $(90,000)$ | $(50.00 \%)$ |
| (e) Net Profit(c-d) | $1,20,000$ | 110000 | 10000 | $8.33 \%$ |
| (f) Income Tax | 36,000 | 44000 | 8000 | $22.22 \%$ |
| (g) Profit after Tax(e- <br> f) | 84000 | 66000 | -18000 | $(21.43 \%)$ |

(b) Comment on profitability of business (any two)-
*The sales of the business increased by $33.33 \%$, but Gross profit decreased by $33.33 \%$ because of doubling of the cost of goods sold.

* The Net profit increase is in the same rate as that of sales revenue, because of decrease in indirect expenses.
* Profit after tax decreased by $21.43 \%$, because of increase in tax rate and cost of goods sold.
(b) *The investment in fixed assets are more in ABC Ltd. (95\%) than that of XYZ Ltd (89\%).

But both the companies are suffering from shortage of working capital

* A BC Ltd. has depended more upon outsiders funds(ie.25\%),as compared to $15 \%$ in XYZ Ltd.

