

22BA104:FINANCIALREPORTINGANDANALYSIS

Course Code	22BA104	Course Delivery Method	Class Room / Blended Mode
Credits	04	CIA Marks	30
No. of Lecture Hours / Week	05	Semester End Exam Marks	70
Total Number of Lecture Hours	75	Total Marks	100
Year of Introduction :2022	Year of Offering :2022	Year of Revision :---	Percentage of Revision :---

CourseDescriptionandPurpose:

Financialreportingandanalysiscourseprovidesanunderstandingoffinancialaccountingandreporting fundamentalsforprospectiveconsumersofcorporatefinancialinformation,suchasmanagers, stockholders, financial analysts, and creditors. This course focuses on understanding howeconomic events like financing transactions and operating activities are recorded in the three mainfinancial statements (i.e., the income statement, balance sheet, and statement of cash flows/fundsflow). Along the way, students will develop the technical skills needed to analyze corporate financialstatements and disclosures for use in financial analysis, and to interpret how accounting standards andmanagerial incentives affect the financial reporting process. This course is well recommended forstudents who want a more in-depth overview of the financial accounting and reporting required forunderstanding firm performance and potential future risks through analysis of reported financialinformation, such as students intending to go into financial analysis and Financial Manager, securityanalyst,etc.

Course Outcomes:

By the end of the course, students will be able:

- CO-1 To providethestudentswiththebasicconcepts of financial accounting and preparation of Company Balance sheet
- CO-2 Todiscussthevariousconcepts,toolsandpracticesinanalysisandinterpretationoffinancialstate ments.
- CO-3 To familiarize the students with the concepts of funds flow and cash flow for managerial decision making.
- CO-4 To provide the students with the knowledge of financial statement analysis through ratios.
- CO-5 To provide knowledge required for the preparation of reports understanding firm performance and potential future risks through analysis of reported financialinformation.

COURSE CONTENT

UNIT-I

Introduction to accounting: Objectives, Nature and scope; Generally Accepted Accounting Principles(GAAP) Accounting Concepts and Conventions; Financial Accounting-Cost Accounting-Management Accounting; Single entry and Double entry systems of Accounting; Journal, Ledger and Final Accounts. *(Theory and Problems)* **(18Hours)**

UNIT-II

Financial Statement Analysis: Objectives and users of financial statements; Elements of Financial Statements; Classification of Financial Statements; Analysis and Interpretation of Financial Statements; Construction and Analysis of Common size Statement, Comparative Statement and Trend Analysis; Constraints and Assumptions in preparing Financial Statements (*Theory and Problems*). **(15Hours)**

UNIT-III

Funds flow statement and Cash flow statement: Meaning of Fund, Flow of Fund and No Flow of Fund; Statement of changes in Working Capital, Components of Flow of Funds, Fund Flow Statement; Cash-Meaning, Purpose, Limitations and Preparation of Cash Flow Statement, Flow of Cash Under Non-Current Items, Flow of Cash due to Operations, Non-cash Items, Calculation of Cash Received from Operations; Differences between Cash Flow Statement and Fund Flow Statement. (*Theory and Problems*) **(18Hours)**

UNIT-IV

Financial Analysis through Ratios: Meaning, Definition and Classification of Ratios, Analysis and Interpretations of Ratios; Principles of Ratio Selection, Advantages and Limitations of Ratio Analysis; Construction of Balance Sheet through Ratios (*Theory and Problems*) **(12Hours)**

UNIT-V

Financial Reporting: Meaning, Objectives, Characteristics of a Coherent Financial Reporting Framework, Components of the Financial Reporting; Financial Reporting Process; Regulatory Authorities; International Financial Reporting Standards (IFRS) (*Theory*) **(12Hours)**

PRACTICALCOMPONENTS:

- ✓ Students are asked to identify and summarize the components of given financial statements (Course instructor to collect reports from company websites and distribute to the students for exercise purpose).
- ✓ Students are asked to prepare trial balance, and trading and Profit & loss account and balance sheets to the company reports (Course instructor to collect reports from company websites and distribute to the students for exercise purpose).
- ✓ Students are to form groups (group consists of 4-6 students) to submit a brief report on modern financial reporting practices followed in Indian and Multinational companies.

REFERENCETEXTBOOKS:

1. Jain & Narang: Advanced Accountancy, Kalyani Publications, Ludhiana. Latest Edition
2. Pandey I.M: Financial Management, Vikas Publishing, New Delhi, Latest Edition.
3. Khan M.Y. & Jain PK: Management Accounting, Tata McGraw-Hill, New Delhi, Latest Edition.
4. Sharma & Gupta: Management Accounting, Kalyani Publishers, Ludhiana.
5. Singvi, N.M. & Ruzbeh J. Bodhanwala: Management Accounting Text and Cases.

MODEL QUESTION PAPER

PARVATHANENI BRAHMAYYA SIDDHARTHA COLLEGE OF ARTS & SCIENCE
M.B.A. (REGULAR) DEGREE EXAMINATION
First Semester
20BA104: Financial Reporting and Analysis
W.e.f 2022-2023

Duration: 3 hours

Maximum Marks: 70

SECTION – A

Answer the following

5X4=20Marks

1. (A) What is Going concern concept? (CO1)(L1)
(OR)
 (B) Define Single entry system. (CO1) (L1)
2. (A) Explain the objectives of financial statements? (CO2) (L2)
(OR)
 (B) Classify the users of financial statements? (CO2) (L2)
3. (A) What is No flow of fund? (CO3) (L1)
(OR)
 (B) What are Non-current Items? (CO3) (L1)
4. (A) Illustrate the Absolute liquid Ratio. (CO4) (L2)
(OR)
 (B) Outline the Stock turnover Ratio. (CO4) (L2)
5. (A) What is financial reporting? (CO5) (L1)
(OR)
 (B) List out any four characteristics of financial reporting. (CO5)(L1)

SECTION –B

Answer ALL the following

5X8=40Marks

6. (A) Define Financial Accounting. Distinguish between Cost Accounting and Financial Accounting.?(CO1)(L4)

(OR)

(B) The following is Trial Balance of M/s Deepak Traders as on 31-3-2021. Analyze the profitability by preparing Balance sheet on 31-3-2021. (CO1)(L4)

Particulars	Debit Balance(Rs.)	Credit Balance(Rs.)
Capital		1,00,000
Drawings	18,000	
Buildings	15,000	
Furniture	7,500	
Motor van	25,000	
Loan to Harry	15,000	
Interest	450	
Sales		1,00,000
Purchases	75,000	
Stock on 1-4-2013	25,000	
Establishment expenses	15,000	
Freight inward	2,000	

Freight outward	1,050	
Bank overdraft		25,000
Commission received		7,500
Sundry debtors	28,000	
Bank balance	20,500	
Sundry Creditors		15,000
Total	2,47,500	2,47,500

Adjustments:

- Closing Stock valued at Rs. 25,000
- Depreciate building by 10% and furniture by 5%
- Provide a Reserve for Bad debts @ 5%
- Provide for discount on debtors and creditors @ 3%.

7. (A) Define financial statement. Briefly explain the elements of financial statements. (CO2)(L2)

(OR)

(B) Interpret the trend percentages from the following figures of Z Ltd. Taking 2018 as the base. (CO2)(L2)

Year	Sales	Stock	Profit before tax (in lakhs)
2018	1881	709	321
2019	2340	781	435
2020	2655	816	458
2021	3021	944	527
2022	3768	1154	672

8. (A) Distinguish between Funds flow and Cash flow statements. (CO3)(L4)

(OR)

(B) From the following Balance sheet of Vincent & Co Ltd., Construct Funds flow statement and Working capital statement. (CO3)(L4)

Liabilities	2021	2022	Assets	2021	2022
Capital	80,000	85,000	Cash in Hand	4,000	9,000
Trade A/c	14,500	24,500	Sundry Debtors	16,500	19,500
Sundry Creditors	9,000	5,000	Bank	9,000	7,000
Long-term Loans	--	5,000	Machinery	24,000	34,000
			Buildings	50,000	50,000
	1,03,500	1,19,500		1,03,500	1,19,500

9. (A) What is meant by ratio analysis? List out its objectives and limitations. (CO4)(L3)

(OR)

(B) Construct Balance sheet with the information given below for Anil & Co for the year ending March 2022. (CO4)(L3)

Current ratio	2.5
Liquidity Ratio	1.5
Net working capital	Rs. 3, 00,000
Stock Turnover Ratio (Cost of sales / closing stock)	6 times
Gross profit Ratio	20%
Fixed assets turnover ratio	2 times
Average debt collection period	2 months
Fixed Assets: Shareholders net worth	1:1
Reserves: Share capital	0.5: 1

10. (A) What is financial reporting? Briefly explain the steps in financial reporting process. (CO5)(L2)

(OR)

(B) Demonstrate some essential or qualitative characteristics of financial reporting. (CO5)(L2)

SECTION –C

CASE STUDY (Compulsory)

1X10=10Marks

11. Prepare Cash flow statement from the following Balance sheets of Sheath & Co Ltd and interpret the results. (CO3)(L5)

Liabilities	03.21	03.22	Assets	03.21	03.22
Share Capital	1,00,000	4,00,000	Goodwill	--	20,000
Debentures	--	2,00,000	Machinery	1,25,000	4,75,000
Retained Earnings	60,000	90,000	Bank	20,000	80,000
Creditors	40,000	1,00,000	Debtors	30,000	1,00,000
Accounts Payable	20,000	40,000	Cash at Bank	50,000	1,50,000
Provision for Tax	30,000	40,000	Cash in Hand	25,000	45,000
	2,50,000	8,70,000		2,50,000	8,70,000
