**QUESTION BANK FINANCIAL STATEMENT ANALYSIS &REPORTING**

**FILL UP THE BLANKS**

1. Financial analysis can be classified as\_\_\_\_\_\_ analysis and \_\_\_\_\_\_ analysis.

2. In common-size income statement, \_\_\_\_\_\_is assumed to be equal to 100.

3. Comparative statement analysis is also known as\_\_\_\_\_\_ analysis.

4. Horizontal analysis is otherwise known as\_\_\_\_\_\_ analysis.

5. Financial statement analysis includes both analysis and\_\_\_\_\_\_.

6. Horizontal analysis refers to the comparison of\_\_\_\_\_ of a company for several years.

7. Financial statement analysis is based upon \_\_\_\_\_\_ information.

8.\_\_\_\_\_\_\_statement is called horizontal analysis.

9. In trend analysis, the figures of the base year are taken as \_\_\_\_\_\_.

10. Items in income statement can be shown as percentages of \_\_\_\_\_\_.

11. Study of performance of the same firm over a period of time is regarded as\_\_\_\_\_\_ analysis.

12. The analysis where a comparison of financial variables of a firm is made over a period of time, is called as \_\_\_\_\_\_.

13. The analysis where a comparison of financial variables of a firm is made over a period of time , is called as \_\_\_\_\_\_.

14.\_\_\_\_\_\_analysis is also known as time series analysis.

15. The primary objective of financial statements analysis is to understand the\_\_\_\_\_\_\_\_ contained in financial statements.

16. Comparative statement is a tool of \_\_\_\_\_\_\_analysis.

17. On the basis of \_\_\_\_\_\_, financial analysis can be classified as horizontal analysis is also known as time series analysis.

18. Retained earnings statement depicts \_\_\_\_\_\_.

19. Provision for doubtful debts should be \_\_\_\_\_\_ from trade receivables.

20. The statement of Profit and Loss is prepared in the prescribed form given under Schedule \_\_\_\_\_\_ of Companies Act, 2013.

21. A statement of Retained Earnings is also known as statement of Profit and Loss \_\_\_\_\_\_\_Account.

22. The notes giving details of items in the Balance Sheet and Statement of Profit and Loss are known as\_\_\_\_\_\_.

23. The prescribed form of Balance Sheet of a company has been given in the schedule part \_\_\_\_\_\_ .

24. Position statement is the other name of \_\_\_\_\_\_.

25. Statement of profit and loss is also known as \_\_\_\_\_\_ .

26. A balance sheet is a statement of equity and liabilities and assets showing the \_\_\_\_\_\_ .

27.\_\_\_\_\_\_ are the basic source of information to interested parties.

28. In fund flow statements, funds means \_\_\_\_\_\_.

29. Claim of owners against the assets of the company is known as \_\_\_\_\_\_\_.

30. Provision for bad debts is an item of current \_\_\_\_\_\_.

31. Current ratio is the relationship between current assets and \_\_\_\_\_\_.

32. Debt equity ratio is relationship between outsiders' funds and \_\_\_\_\_\_.

33. Ratio of net profit after interest and tax to sales is \_\_\_\_\_ ratio.

34. Traditionally, a current ratio of \_\_\_\_\_\_ is considered to be a satisfactory ratio.

35. Quick assets are current assets less \_\_\_\_\_\_ and \_\_\_\_\_\_ expenses.

36. On the basis of functional classification/purpose of ratios, ratios are classified into \_\_\_\_\_\_ types.

37. Ratio of net sales to net working capital is called \_\_\_\_\_\_.

38. Working capital is the difference between \_\_\_\_\_\_and \_\_\_\_\_\_.

39. Rule of thumb for quick ratio is \_\_\_\_\_\_\_.

40. The ratios showing the ability of the enterprise to meet its short term commitment are called \_\_\_\_\_\_ ratios .

41. The time by which the enterprise sells or replaces its inventories is called \_\_\_\_\_\_\_.

42. If operating ratio is 70% then operating profit ratio will be \_\_\_\_\_\_ %.

43. The most popular test of liquidity is \_\_\_\_\_\_ ratio.

44. The ideal level of liquid ratio is \_\_\_\_\_\_\_.

45. Operating profit ratio = 100 minus \_\_\_\_\_ ratio.

46. Manipulating accounts to conceal vital facts and to show a better position than the actual position is known as \_\_\_\_\_\_.

47. The standard acid test ratio is \_\_\_\_\_\_.

48. P/E Ratio = \_\_\_\_\_\_\_.

49. \_\_\_\_\_\_ is done in situations when only one variable is involved.

50. When three or more variables are to be analysed simultaneously, then the techniques applied are called \_\_\_\_\_\_\_techniques.

51. The primary reason for the increased use of multivariate techniques is the development of \_\_\_\_\_\_\_ programmes.

52. One of the simplest means of analyzing the data is \_\_\_\_\_\_\_techniques.

53. Factor analysis is used by companies to reduce the redundancy in the \_\_\_\_\_\_ ratios.

54. Univariate analysis involves the examination of cross cases of \_\_\_\_\_\_\_\_variable at a time.

55.\_\_\_\_\_\_\_ is the most commonly used measure of dispersion.

56. Cash comprises cash on hand and\_\_\_\_\_\_\_ deposits with banks.

57. Cash flows are \_\_\_\_\_\_\_\_ and\_\_\_\_\_\_\_ of cash and cash equivalents.

58. Cash payments to suppliers for goods and services are classified as cash flows from\_\_\_\_\_\_\_\_ activities.

59. Decrease in creditors is \_\_\_\_\_\_\_of cash.

60. Income from investments is a cash flow from \_\_\_\_\_\_\_ activities.

61. Cash flow statement is prepared as per accounting standard \_\_\_\_\_\_\_\_ .

62. \_\_\_\_\_\_\_\_\_activities include acquisition and disposal of long-term assets and other investments not included in cash equivalents.

63. Cash flow statement is useful for \_\_\_\_\_\_term analysis.

64. Cash paid to trade creditors is an example of \_\_\_\_\_\_\_activities.

65. The basis of cash flow statement is \_\_\_\_\_\_\_\_\_

66. Buy back of own shares is shown as an \_\_\_\_\_\_ in \_\_\_\_\_\_ activities.

67. Dividend received by financial enterprise is shown in cash flow statement under \_\_\_\_\_\_activities.

68. Income from investments is a cash flow from\_\_\_\_\_\_ activities.

69. The statement which shows the sources and applications of funds between the dates of opening balance sheet and closing balance sheet is called \_\_\_\_\_\_\_.

70. Cash flow statements are inflows and outflows of cash and

\_\_\_\_\_\_\_.

71. Cash flow statement is studied under Accounting Standard \_\_\_\_\_\_\_.

72. Corporate reporting is reporting of financial information to \_\_\_\_\_\_\_ groups.

73. Annual \_\_\_\_\_\_of a company is a common medium of corporate reporting.

74. Directors report is a type of \_\_\_\_\_\_ report.

75. CSR stands for \_\_\_\_\_\_\_.

76. Environment report is a \_\_\_\_\_\_ report.

77. GRI stands for \_\_\_\_\_\_\_.

78. Statutory reporting is done as per provision of \_\_\_\_\_\_\_.

79. Integrated reporting lays emphasis on \_\_\_\_\_\_\_.

80. The Price-Earnings (P/E) Ratio indicate in financial analysis is called as \_\_\_\_\_\_\_\_.

81. \_\_\_\_\_\_ profitability ratio compares net income to shareholders equity ?

82. \_\_\_\_\_\_\_ is used to evaluate a company’s operational efficiency?

83. The present value of cash inflows of a project Rs 30,000 and initial investment Rs 18,000. Profitability Index is \_\_\_\_\_\_.

84. When net profit is Rs 44,000 and profit on sale of a fixed asset is Rs 4,000. The fund from operations is \_\_\_\_\_\_.

85. Deferred Payment arrangement aim at financing \_\_\_\_\_\_\_.

86. Sources and uses of funds statements are examined as part of \_\_\_\_\_\_.

87. When current ratio is 2:1 and if there is an equal increase in current assets and current liabilities would result in \_\_\_\_\_\_\_.

88. As per the Companies Act 2013, the balance sheet of a company must be in the format specified in \_\_\_\_\_\_of the Companies Act.

89. Financial statement analysis based upon \_\_\_\_\_\_.

90. Comparative financial statement is a tool of \_\_\_\_\_\_.

91. A ratio is an arithmetical relationship of one number to \_\_\_\_\_\_.

92. Two elements of a current ratio are current assets and \_\_\_\_\_\_.

93. Liquid ratio is also known as \_\_\_\_\_\_ ratio.

94. The liabilities payable in a ­­­\_\_\_\_\_\_ are called current liabilities .

95. Rule of thumb for a current ratio is \_\_\_\_\_\_.

96. Debt-equity ratio is the relationship outsiders’ funds and \_\_\_\_\_\_.

97. Gross Capital employed is equal to total \_\_\_\_\_\_.

98. Position statement is the other name of \_\_\_\_\_\_.

99. Financial statements are called \_\_\_\_\_\_\_.

100. Cash paid to trade creditors is an example of \_\_\_\_\_\_.

**SHORT ANSWER TYPE QUESTIONS**

1. What are financial statements?

2. Name the basic financial statements?

3. What is a position statement?

4. Who are the different parties interested in financial statements?

5. Define assets?

6. What do you mean by liabilities?

7. Mention any two elements of financial statement?

8. What is meant by income?

9. What do you mean by expenses?

10. Mention any two characteristics of ideal financial statements

11. State any two limitations of financial statements.

12. State any three objectives of financial statements.

13. What do you mean by Notes to Accounts?

14. Who are the users of financial statements?

15. Explain briefly the nature of financial statements?

16. Mention any two constituents of financial statements?

17. Name any three current assets?

18. What is issued capital?

19. What is meant by calls-in-arrear?

20. What is meant by net worth?

21. What is meant by subscribed capital?

22. What is trend analysis?

23. Write a brief note on comparative statements?

24. Explain common size statements?

25. Give a specimen of Comparative income statement?

26. Distinguish between Time series analysis and Cross sectional analysis?

27. Distinguish between intra firm and inter firm analysis?

28. State the differences between horizontal analysis and vertical analysis?

29. What is meant by Ratio?

30. What is 'Ratio Analysis'?

31. State any two advantages of ratio analysis.

32. Name any two liquidity ratios.

33. Give any two limitations of ratio analysis.

34. What is a current ratio?

35. State any two efficiency ratios.

36. Why is debtor turnover ratio calculated?

37. What do you mean by return on investment?

38. What is the need for calculating turnover ratios?

39. How is current ratio calculated?

40. What do you understand by Accounting Ratio?

41. Define the term window dressing?

42. What is capital gearing?

43. What is Absolute Liquid Ratio?

44. What is profitability ratio?

45. What is working capital?

46. What is debt equity ratio?

47. What is the significance of rule of thumb in liquidity ratios?

48. How is creditor turnover ratio calculated?

49. Discuss Du-Pont Chart?

50. What is stock turnover ratio?

51. Outline the different classes of ratios?

52. What is univariate analysis?

53. Explain the meaning of Bivariate analysis?

54. Define multivariate analysis?

55. What is multiple regression analysis?

56. When is discriminant analysis used?

57. Write any two objectives of factor analysis.

58. What is multivariate ratio analysis?

59. What are the uses of preparing a cash flow statements ?

60. What is the primary benefit of Vertical analysis?

61. State any three objectives of factor analysis?

62. Write short note on multivariate analysis?

63. Explain the concept of multivariate analysis?

64. Define multivariate ratio?

65. Write short notes on any two techniques of univariate analysis?

66. Explain in brief multiple discriminant analysis?

67. What are the objectives of factor analysis?

68. What are the assumptions of factor analysis?

69. What are the limitations of cluster analysis?

70. Explain cluster analysis?

71. Note down the merits of multivariate analysis?

72. Explain the concept of factor analysis?

73. Differentiate between residual analysis and multivariate analysis?

74. What are the limitations of factor analysis?

75. Write down three objectives of multivariate ratio analysis.

76. Compare Univariate and Multivariate ratios?

77. What do you mean by multiple regression analysis ?

 78. What is meant by the term 'cash flows'?

79. What do you mean by Cash Flow Statement?

80. Give any two objectives of cash flow statement.

81. When does a cash flow arise?

82. What is meant by cash equivalent ?

83. Give two examples of cash equivalents.

84. Give any two examples of investing activities which result into outflow of cash.

85. What is meant by operating activities?

86. List any two financing activities that result into inflow of cash.

87. State whether payment of cash to trade payables will result in inflow, outflow or no flow of cash.

88. State whether depreciation charged on machinery would result in flow of cash or not?

89. Under which type of activity will you classify 'proceeds from sale of investments' while preparing cash flow statement?

90. Under which type of activity will you classify refund of income tax received while preparing cash flow statement?

91 .When is dividend received considered as operating activity?

92. Interest paid by bank is classified under which kind of activity while preparing cash flow statement of the bank?

93. Define investing activities.

94. What is the difference between net profit before tax and cash flows from operating activities?

95. What is the difference between operating and investing activities?

96. Differentiate between investing and financing activities.

97. Why amortisation of goodwill does not affect flow of cash?

98. Why is separate disclosure of cash flow from investing activities important while preparing cash flow statement?

99. Give any three transactions which result into inflow of cash.

100. What is cash flow from operating activities?

 **LONG ANSWER TYPE QUESTIONS**

1. What do you understand by financial statements? Discuss the nature of financial statements.

2. Describe various characteristics of Ideal Financial Statements.

3. How far financial statements are helpful to the parties interested to know the position of the enterprise?

4. Discuss the limitations of financial statements.

5. Discuss various types of financial statements that are usually prepared by the businessmen.

6. Prepare the format of a Balance Sheet as required under Indian Companies Act.

7. What is Income Statement? Evaluate its significance.

8. What are financial statements? Who are the parties interested in it?

9. What are the different types of financial statements? State the advantages of each one of them.

10. "Financial statements are the end products of Accounting System". Elucidate this statement. Discuss the objectives of financial statements.

11. Who are the users of financial statements? Discuss how financial statements are useful to them.

12. Define balance sheet. Why is it prepared? Discuss different views associated with the nature of balance sheet.

13. What are financial statements? Why financial statements are prepared? What are the basic financial statements? Discuss.

14. Give a specimen of Profit and Loss Account as prescribed by the Companies Act, 2013.

15. Give a specimen of balance sheet as prescribed by the Companies Act, 2013.

16. What is a financial statement? State various objectives of financial statements.

17. Define financial statement and discuss its objectives.

18. What are various financial statements? State the use and importance of financial statements

19. How are the financial statements significant for the users? Explain.

20. Discuss the nature and importance of financial statements.

21. Discuss the nature and features of ideal financial statements.

22. What is balance sheet? Why is it prepared? Give a specimen of balance sheet as prescribed by the Companies Act, 2013.

23. Discuss the nature of Financial Statement. Explain briefly different types of financial statement.

24. What is Financial Statement? Discuss the nature, objective and different types of financial statement.

25. What do you understand by the analysis and interpretation of financial statements? Discuss ther utility and significance to the management and others who are interested in the business.

26. What are the different methods used for the analysis and interpretation of financial statements.

27. What is common-size balance sheet and income statement? Explain the technique of preparing the common-size balance sheet or income statement.

28. What is Comparative Balance Sheet? How is it prepared?

29. Take a few imaginary figures and prepare a comparative income statement for two years.

30. What are the two basic financial statements? Give at least three objectives of comparative financial statements.

31. What is the importance to management of comparative statements? Illurtrate your answer with particular reference to Comparative Income Statements and state briefly how these statements are prepared.

32. Explain the usefulness of trend percentages in interpretation of financial performance of a company 9 . "Analysis without interpretation is meaningless and interpretation without analysis is impossible."

33. State the different types of financial analysis and discuss the limitations of analysis and interpretation of financial statements.

34.”Analysis without interpretation is meaningless and interpretation without analysis is misleading.” Elucidate the statement. Explain the significance of financial statement analysis.

35. Discuss the techniques of financial statement analysis.

36. Distinguish between traditional approach and modern approach to financial statement analysis.

37. Explain the methods used in financial statement analysis.

38. Discuss various problems encountered in financial statement analysis.

39. Define common-size statement. Explain the technique of preparing common size balance sheet.

40. Define Financial Statement Analysis? Discuss its objectives and importance.

41. Explain the different methods used for analysis and interpretation of financial statements.

42. What is comparative statement? How is it different from common-size statement? Give a specimen of comparative statement.

43. What is meant by ratio analysis? Discuss its objects and limitations.

44. What is ratio analysis? What are the steps involved in it?

45. What do you understand by ratio analysis? Discuss its uses and limitations.

46. "Ratio analysis is a tool to examine the health of business with a view to make financial results more intelligible." Explain.

47. "Ratios are indicators-sometimes pointers but not in themselves powerful tools of management." Explain.

48. "Ratio analysis is only a technique for making judgements and not a substitute for judgements."

49. What are liquidity ratios? Discuss their significance.

50. Describe the various ratios that are likely to help the management of a manufacturing unit forming an opinion on the solvency position of business.

51. Examine the relationship between solvency, liquidity and profitability.

 52. Describe any five accounting ratios and briefly explain their significance.

53. Describe the principle ratios which you consider significant while interpreting the published accounts of a company and explain the inferences which may be drawn from them.

54. What are the important profitability ratios? How are they worked out? Explain and illustrate.

55. The Directors of General Cloth Mills Limited are concemed at the persistent decline in their gross profit rates for the last three years. You are required to list the possible reasons for the decline.

56. "Return on Investments is considered to be the master ratio which reflects the overall performance of the company." Elucidate and show by examples how various managerial decisions affect ROI.

57. The current ratio of a company is 2: 1. Which of the following suggestions would improve the ratio, which would reduce it and which would not change it.

 (a) To pay a current liability.

 (b) To sell a motor car for cash at a slight loss.

 (c) To borrow money for a short time on an interest bearing promissory note.

 (d) To purchase stock for cash.

 (e) To give an interest bearing promissory note to a creditor to whom money was to be paid.

58. The current assets and current liabilities of your company are 15,00,000 and 10,00,000 respectively on 31-3-2025. What will be the effect of following transactions on current ratio?

 (i) Purchase of a machinery for 1,00,000 on cash.

 (ii) Purchase of building for 2,00,000 on a medium terms loan from the bank with 20% margin.

 (iii) Payment of sundry creditors through a cheque 50,000.

 (iv) Payment of dividend 50,000 after deducting tax @ 20%. Dividend payable is included in current liabilities.

59. What is the difference between univariate and multivariate analysis? Elaborate on the different types of univariate techniques of statistical analysis.

60. Explain cluster analysis. What are the limitations in using cluster analysis?

61. Discuss briefly the different types of statistical tools that can be applied on financial ratios. Elaborate on the uses of these tools in financial analysis.

62. What is the use of factor analysis in financial analysis. Explain briefly the stopping rules that can be used to extract factors.

63. Explain the use of multiple regression analysis in explaining the relationship between variables.

64. Explain different types of univariate techniques of statistical analysis.

65. Discuss the practical application of univariate techniques in financial statement analysis.

66. Discuss various types of bivariate techniques of statistical analysis.

67. Briefly explain the objectives and uses of multivariate ratio analysis.

68. Explain different types of multivariate techniques of statistical analysis.

69. Distinguish between univariate analysis and multivariate ratio analysis.

70. What do you understand by Multivariate Ratio Analysis? Write down the objectives of multivariate analysis. Also explain different tools used for multivariate data analysis.

71. Define the term 'Cash Flow'. Explain the objects of cash flow analysis.

72. How does a cash flow statement differ from a funds flow statement?

73. Define a Cash Flow Statement. Distinguish between 'Funds flow' and 'Cash flow'.

74. Explain the procedure of preparing a cash flow statement.

75. Distinguish between funds flow and cash flow statements?

76. What is the purpose of preparing a cash flow statement? How is it prepared? Explain and illustrate.

77. Describe the direct method of computing cash from operating activities.

78. What do you mean by cash flow statement? Give a specimen of cash flow statement as per AS-3 (Revised).

79. What is cash flow statement? State the objectives of cash flow statement.

80. Point out the limitations of cash flow statement.

81. What is the purpose of cash flow statement? How is it prepared? Explain and illustrate.

82. What is cash flow statement? Explain objectives and limitations of cash flow statement.

83. What do you mean by cash flow statement? Explain how is it different from funds flow statement? Give a specimen format of cash flow statement as per AS-3 Revised.

84. XYZ Ltd. earned a profit of₹ 1,00,000 after charging depreciation of 20,000 on assets and a transfer to General Reserve of 30,000. Goodwill written off was 7,000 and the gain on sale of Machinery was 3,000. The other information available (changes in the value of Current Assets and Current Liabilities) is as follows:

At the end of the year Debtors showed an increase of 6,000; Creditors an increase of 10,000; Prepaid Expenses an increase of 200; Bills Receivable a decrease of ₹ 3,000; Bills Payable a decrease of 4,000 and Outstanding Expenses a decrease of 2,000.

Ascertain Net Cash Flows from Operating Activities.

85. From the following information of a manufacturing company, calculate Cash Flows from Financing Activities:

(i) Issue of equity shares of ₹ 10,00, 000 at a premium of 10%.

(ii) Repayment of Loan of ₹3,00,000 at a discount of 2%.

(iii) Interim dividend paid ₹ 1,00,000.

86. From the following particulars, prepare a Cash Flow Statement for the year ended 31st March, 2025:

(i) Total sales for the year were ₹ 20,50,000 out of which cash sales amounted to ₹ 14,20,000.

(ii) Total purchases for the year were ₹ 15,30,000 out of which cash purchases totalled ₹10,20,000.

(iii) Cash collected from credit customers during the year amounted to ₹ 4,80,000.

(iv) Cash paid to suppliers of goods on credit was ₹4,50.000.

(v) Depreciation for the year was ₹ 40,000 whereas salaries and other expenses amounted to ₹ 1,80,000, out of which 20,000 are outstanding.

(vi) Redeemable preference shares of the face value of ₹ 1,00,000 were redeemed during the year at a premium of 10%.

(vii) Income tax paid ₹ 80,000.

(viii) New machinery was purchased for ₹ 30,000 on 1st January, 2025.

(ix) 25,000 was paid as dividend for the year ended 31st March, 2024.

(x) Equity shares of the face value of ₹ 2,00,000 were issued at a premium of 5% during the year.

(xi) The balance of cash and bank as on 1st April, 2024 was

 ₹ 85,000.

87. MINTEX LTD. gives you the following information for the year ended 31st March, 2019:

(i)Sales for the year totaled ₹ 96,00,000. The company sells goods for cash only.

(ii) Cost of goods sold was 60% of sales. Closing inventory was higher than opening inventory by ₹ 20,000.

(iii) Tax paid amounted to ₹ 7,00,000. Other expenses totaled ₹21,45,000. Outstanding expenses on 31st March, 2024 and 31 st March, 2025 totaled ₹ 82,000 and ₹ 91,000 respectively.

(iv) New machinery and furniture costing 10,50,000 in all were purchased. One equipment was sold for ₹ 20,000.

(v) A rights issue was made of ₹ 50,000 shares of 10 each at a premium of 3 per share. The entire money was received with applications.

(vi) Dividends totalling ₹ 4,00,000 were distributed among the shareholders.

vii) Cash in hand and at Bank as at 31st March, 2024 and 31st March, 2025 totaled ₹ 2,10,000 and ₹ 4,14,000 respectively.

You are required to prepare cash flow statement for the year ended 31st March, 2025 using the direct method.

88. "Corporate financial reporting is intended to supply information useful to various groups in making decisions." Explain.

89. "Annual report is an effective and most popular medium of corporate reporting." Discuss.

90. What is Corporate Annual Report? Mention the mandatory disclosures to be made in Corporate Annual Report.

91. Discuss some of the important statutory and non-statutory reports.

92. Define a statutory report. Give examples of statutory reports.

93. What do you mean by non-statutory report? Discuss types of non-statutory reports with examples.

94. Write a note on distinction between statutory and non statutory reports.

95. Statutory and non statutory reports are integral part of a reporting system of an organization. Discuss.

96. What do you mean by Integrated Reporting? How sustainable value creation is created and reported?

97. Discuss models of Integrated Reporting.

98. Distinguish between traditional and Integrated Reporting

99. What do you understand by Integrated Reporting? How sustainable value is created and reported under Integrated Reporting Framework?

100. What do you mean by Sustainability Reporting? Discuss briefly its objectives and benefits.