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NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA-IEV

SEM: I - THEORY EXAMINATION (2025 - 2026)

Subject: Financial Reporting Statements & Analysis

Time: 3 Hours

Max. Marks: 100

General Instructions:

IMP: Verify that you have received the question paper with the correct course, code, branch etc.

1. This Question paper comprises of **three Sections -A, B, & C**. It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.

2. Maximum marks for each question are indicated on right -hand side of each question.

3. Illustrate your answers with neat sketches wherever necessary.

4. Assume suitable data if necessary.

5. Preferably, write the answers in sequential order.

6. No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION-A

20

1. Attempt all parts:-

- 1-a. Financial analysis is most critical when management faces-(CO1,K2) 1
- (a) Stable operations
- (b) Routine transactions
- (c) Strategic investment decisions
- (d) Audit review
- 1-b. Schedule III of Companies Act, 2013 primarily standardizes.(CO1,K2) 1
- (a) Accounting policies
- (b) Disclosure format and classification
- (c) Valuation techniques
- (d) Audit procedures
- 1-c. If interest coverage ratio falls below 1, it indicates.(CO2,K2) 1
- (a) Strong solvency
- (b) Adequate liquidity
- (c) Inability to service debt
- (d) Efficient leverage
- 1-d. A firm has low current ratio but strong cash flow from operations. This indicates.....(CO2,K2) 1
- (a) Liquidity distress
- (b) Poor working capital management
- (c) Efficient cash cycle
- (d) High leverage

- 1-e. Which DuPont component increases ROE without operational improvement?(CO3,K2) 1
- (a) Net profit margin
(b) Asset turnover
(c) Equity multiplier
(d) Cash ratio
- 1-f. Trend analysis primarily supports which managerial function?(CO3,K2) 1
- (a) Recording (b) Planning (c) Staffing (d) Auditing
- 1-g. A principles-based framework may lead to inconsistent reporting because of.....(CO4,K2) 1
- (a) Lack of knowledge of accounting principles
(b) Lack of standards
(c) Excessive judgment
(d) Poor auditing
- 1-h. Increased reliance on fair value requires stronger.(CO4,K2) 1
- (a) Strong governance
(b) Internal controls
(c) Cash management
(d) Cost accounting
- 1-i. Earnings management differs from fraud mainly because earnings management.....(CO5,K2) 1
- (a) Is illegal
(b) Is always ethical
(c) Operates within accounting rules
(d) Involves falsification
- 1-j. ESG reporting primarily addresses---(CO5,K2) 1
- (a) Shareholder wealth (b) Stakeholder expectations
(c) Tax compliance (d) Audit quality

2. Attempt all parts:-

- 2.a. Depreciation of ₹25,000 has not been charged in the accounts. State its effect on net profit. (CO1, K4) 2
- 2.b. Liquid Assets 65,000; Stock ₹ 20,000; Pre-paid expenses ₹ 5,000; Working capital ₹ 60,000. Calculate current assets ratio and liquid assets ratio. (CO2, K5) 2
- 2.c. Define DuPont analysis. (CO3, K2) 2
- 2.d. Name one benefit of IFRS convergence. (CO4, K2) 2
- 2.e. How does ethics affect firm value? (CO5, K3) 2

SECTION-B

30

3. Attempt all parts:-

3.a. Answer any one of the following:-

- 3.a.(i) Discuss the role of financial analysis in long-term strategic decisions. (CO1, K4) 6
- 3.a.(ii) “Financial analysis acts as a link between accounting data and managerial decisions.” Explain. (CO1, K4) 6

3.b. Answer any one of the following:-

- 3.b.(i) Case 6
 After computing ratios of Sigma Ltd., the following was observed:
 High current ratio
 Low inventory turnover
 Declining ROE
 Required
 Interpret each of the above indicators.
 Suggest two managerial actions to improve the firm's financial performance. (CO2,K5)
- 3.b.(ii) Case 6
 The following data is extracted from the records of Nova Industries Ltd.:
 Earnings Before Interest & Tax (EBIT): ₹4,50,000
 Interest on Long-term Debt: ₹90,000
 Total Debt: ₹6,00,000
 Shareholders' Equity: ₹4,00,000
 Required
 Calculate:
 a) Interest Coverage Ratio
 b) Debt–Equity Ratio
 Analyze the financial risk of the company from a lender's perspective.(CO2, K5)
- 3.c. Answer any one of the following:-
- 3.c.(i) Charles Ltd. made a profit of ₹ 1,00,000 after charging depreciation of ₹ 20,000 on assets and a transfer to general reserve of ₹ 30,000. The goodwill amortized was ₹ 7,000, and the gain on sale of machinery was ₹ 3,000. Other information available to you (Changes in the value of current assets and current liabilities) are trade receivables showed an increase of ₹ 3,000; trade payables an increase of ₹ 6,000; prepaid expenses and increase of ₹200; and outstanding expenses a decrease of ₹ 2,000. Ascertain cash flow from operating activities. (CO3, K5) 6
- 3.c.(ii) "Comparative and trend analysis support strategic decision-making." Explain.(CO3, K5) 6
- 3.d. Answer any one of the following:-
- 3.d.(i) Discuss the convergence of Ind AS with IFRS. (CO4, K4) 6
- 3.d.(ii) "Compliance alone does not ensure high-quality reporting." Explain. (CO4, K5) 6
- 3.e. Answer any one of the following:-
- 3.e.(i) Explain how managerial incentives influence earnings management. (CO5, K5) 6
- 3.e.(ii) "Ethical financial reporting is a strategic necessity." Explain. (CO5, K5) 6
- SECTION-C** 50
4. Answer any one of the following:-
- 4-a. Identify the accounts, and their nature involved in each following transaction and pass journal entries of the same: June 1 Ram commenced business with cash ₹10,000 10
 June 2 Paid to Bank ₹8,000
 June 3 Bought goods for cash ₹500
 June 4 Bought Furniture for office ₹400
 June 10 Withdrew from Bank cash for office ₹1,000
 June 13 Goods sold to Shyam ₹600
 June 15 Bought goods of Krishan ₹410
 June 18 Trade Expenses paid ₹100
 June 19 Received cash from Shyam ₹590 and allowed him a discount of ₹10
 June 25 Wages paid ₹50
 June 28 Krishan paid off (CO1, K5)

- 4-b. The following Trial Balance was extracted from the books of Alpha Traders Ltd. as on 31 March 2025: 10
- Particulars Amount (₹)
- Sales 15,00,000
- Purchases 8,40,000
- Opening Inventory 1,80,000
- Wages 90,000
- Salaries 1,20,000
- Rent & Office Expenses 60,000
- Plant & Machinery 4,00,000
- Cash & Bank 70,000
- Trade Receivables 1,30,000
- Capital 5,50,000
- Trade Payables 1,20,000
- Adjustments
- Closing inventory was valued at ₹2,10,000.
- Outstanding salaries amounted to ₹30,000.
- Depreciation on the plant is to be charged at 10% per annum.
- Required
- Prepare the Income Statement for the year ended 31 March 2025. (CO1, K6)
5. Answer any one of the following:-
- 5-a. From the following information, calculate: 10
- Gross Profit Ratio
- Operating Ratio
- Operating profit Ratio
- Net profit ratio
- Opening stock = ₹ 2600
- Purchases = ₹ 8000
- Wages = ₹ 2400
- Manufacturing expenses = ₹ 1600
- Sales = ₹ 16000
- Closing stock = ₹ 3800
- Selling expenses = ₹ 400
- General expenses = ₹ 2400
- Loss of furniture due to fire = ₹ 80
- The compensation received for land acquisition = ₹ 480 (CO2, K5)
- 5-b. Analyze the impact of inflation on the reliability of ratio analysis. (CO2, K5) 10
6. Answer any one of the following:-
- 6-a. Analyze how DuPont analysis helps in diagnosing changes in ROE. (CO3, K5) 10
- 6-b. Discuss the limitations of comparative analysis due to accounting policy differences. (CO3, K5) 10
7. Answer any one of the following:-
- 7-a. Analyze the role of MCA and SEBI in enforcing financial reporting compliance. (CO4, K5) 10
- 7-b. “Regulatory compliance alone does not ensure high-quality reporting.” Discuss. (CO4, K5) 10
8. Answer any one of the following:-
- 8-a. Analyze the relationship between managerial incentives and earnings management. (CO5, K5) 10
- 8-b. “Ethical and transparent reporting is a source of competitive advantage.” Discuss. (CO5, K5) 10