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BRAINWARE UNIVERSITY

Term End Examination 2025-2026
Programme – B.Com.(AFB)-Hons]-2023
Course Name – Financial Statement Analysis and Auditing
Course Code - BBF50204
(Semester V)

Full Marks : 60 **Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A
(Multiple Choice Type Question) 1 x 15=15

1. *Choose the correct alternative from the following :*

(i) Define the primary purpose of financial statements.

a) To provide historical data only
b) To offer a snapshot of a company financial health at a specific point in time
c) To predict future stock prices
d) To determine employee salaries

(ii) Describe the traditional concept of financial statement analysis.

a) Focuses heavily on qualitative factors
b) Primarily involves ratio analysis and trend analysis
c) Relies on advanced statistical modeling
d) Emphasizes industry benchmarks over internal comparisons

(iii) Choose the type of audit that primarily focuses on compliance with internal policies and procedures.

a) Statutory Audit
b) Tax Audit
c) Internal Audit
d) Cost Audit

(iv) Define Internal Check System.

a) A method for external auditors to verify records
b) A system of checks and balances within an organization to prevent errors and fraud
c) A marketing strategy to attract new customers
d) A process for inventory valuation

(v) Identify a key limitation of using financial ratios for analysis.

a) They always provide a complete picture of a company
b) They can be easily manipulated if not properly understood
c) They eliminate the need for any further investigation
d) They are consistent across all industries

(vi) Select a modern approach to financial statement analysis.

a) Solely relying on horizontal analysis
b) Integrating qualitative factors and industry-specific analysis

c) Ignoring technological advancements in data analysis

d) Limiting analysis to only profitability ratios

(vii) Define the term payroll preparation in the context of internal check application.

a) The process of marketing a company products to potential employees

b) The calculation and distribution of employee salaries, wages, and deductions

c) The hiring and onboarding of new staff members

d) The negotiation of employee benefits packages

(viii) Choose the financial statement that summarizes revenues, expenses, and net income over a period of time.

a) Balance Sheet

b) Statement of Cash Flows

c) Income Statement

d) Statement of Retained Earnings

(ix) Describe how test check is applied in auditing.

a) Examining every single transaction in a population

b) Selecting a sample of transactions to draw conclusions about the entire population

c) Only reviewing transactions that appear unusual

d) Focusing on non-financial data exclusively

(x) Identify a benefit of Du-Pont analysis for financial statement analysis.

a) It simplifies the calculation of current assets

b) It helps in understanding the drivers of a company Return on Equity

c) It provides a direct forecast of future stock prices

d) It eliminates the need for any other financial ratios

(xi) Choose the concept related to the distribution of profits to shareholders.

a) Capitalization

b) Depreciation

c) Dividend

d) Amortization

(xii) Choose the type of audit that ensures the proper application of tax laws and regulations.

a) Internal Audit

b) Management Audit

c) Tax Audit

d) Operational Audit

(xiii) Define Accountability in the context of financial statements.

a) The ability of a company to raise capital

b) The responsibility to report on the stewardship of resources

c) The measure of a company market value

d) The process of marketing financial products

(xiv) Describe the difference in focus between Internal Control and Audit Procedure.

a) Internal control is about prevention, while audit procedure is about detection

b) Internal control is only for small businesses, while audit procedure is for large ones

c) Internal control is optional, while audit procedure is mandatory

d) Internal control is performed by external parties, while audit procedure is internal

(xv) Choose the party responsible for the appointment of statutory auditors in a company.

a) Customers

b) Vendors

c) Shareholders

d) Employees

Group-B

(Short Answer Type Questions) 3 x 5=15

2. Define internal control. (3)
3. Assess the importance of proper documentation in auditing. (3)
4. Summarize the benefits of a strong internal check system in store keeping. (3)
5. Explain why a company needs to prepare a statement of changes in equity. (3)
6. Explain the objective of an auditor report. (3)

OR

Assess the impact of economic conditions on financial statement analysis. (3)

Group-C

(Long Answer Type Questions) 5 x 6=30

7. State the core concept of traditional financial statement analysis, including its methods. (5)
8. Illustrate the application of internal checking principles in the preparation of payroll. (5)
9. State the auditor duties concerning obtaining sufficient and appropriate audit evidence. (5)
10. Summarize the concept of materiality in auditing and its practical application. (5)
11. Explain how the concept of True and Fair View is upheld in the preparation and audit of financial statements. (5)
12. Illustrate the application of internal controls in safeguarding cash receipts. (5)

OR

Summarize the concept of Internal Check in the context of segregating duties. (5)

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