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BRAINWARE UNIVERSITY

Term End Examination 2025-2026
Programme – M.Com.(BFA)-2025
Course Name – Financial Analysis
Course Code - MCM27504 (T)
(Semester II)

Full Marks : 40 **Time : 2:0 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 10=10

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

(i) Identify the primary objective of financial reporting.

a) Calculation of tax liability | b) Supporting stakeholder decision-making
c) Predicting share prices | d) Detecting financial fraud

(ii) Explain the main purpose of financial statement analysis.

a) Recording accounting entries | b) Interpreting financial performance and position
c) Preparing budgets | d) Auditing financial statements

(iii) Identify which financial statement presents the financial position at a point in time.

a) Income Statement | b) Cash Flow Statement
c) Balance Sheet | d) Statement of Changes in Equity

(iv) Explain the significance of the auditor's report for users of financial statements.

a) It forecasts future profits | b) It ensures independent assurance on fairness
c) It prepares accounts | d) It evaluates management efficiency

(v) Identify which of the following is a supplementary source of financial information.

a) Trial Balance | b) Management Discussion and Analysis (MD&A)
c) Journal | d) Ledger

(vi) Explain why reporting standards are important in financial analysis.

a) They reduce disclosure requirements | b) They ensure comparability and consistency
c) They eliminate judgment | d) They increase profitability

(vii) Identify which item appears under OCI.

a) Sales revenue | b) Inventory
c) Revaluation surplus | d) Wages

(viii) Explain the key feature of aggressive accounting.

a) Early loss recognition | b) Delayed expense recognition

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c) Higher disclosure d) Strict compliance

(ix) Explain why opportunity is critical in the fraud triangle.

a) Increases profit b) Enables manipulation
c) Reduces detection d) Improves reporting

(x) Explain the relevance of reporting quality for credit analysis.

a) Focuses on valuation b) Assesses repayment reliability
c) Predicts stock price d) Measures growth

Group-B

(Short Answer Type Questions) 3 x 5=15

2. Explain why ratio analysis should be supported by cash flow analysis. (3)
3. Assess how shareholders' equity composition impacts financial resilience. (3)
4. Analyze how changes in receivables and payables link income statements with cash flows. (3)
5. Project next year's sales if current sales are ₹500 lakh and expected growth rate is 12%. (3)
6. Calculate ROE when PAT is ₹30 lakh and shareholders' equity is ₹150 lakh, and interpret. (3)

OR

Break down ROE using DuPont model given profit margin 10%, asset turnover 2, and equity multiplier 1.5. (3)

Group-C

(Long Answer Type Questions) 5 x 3=15

7. Current sales of a company are ₹80,00,000 and expected growth rate is 10%. Net profit margin remains 12%. Forecast next year's sales and profit. (5)
8. A company shows profit growth of 25% but operating cash flow declines by 15% while receivables increase sharply. Identify reporting concern. (5)
9. Explain the components of an Income Statement. (5)

OR

Discuss the importance of common-size financial statements. (5)

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