

**B.COM**  
**SEMESTER II**  
**Financial Statement Analysis & Interpretation (CC 6)**  
**(100 Marks – 60 Lectures)**

**Course objectives**

To develop skills in students to analyze and interpret financial statements from viewpoint of liquidity, solvency, profitability and cash flow of entities and apply the same for decision making.

**Unit I Company Final Accounts (Elementary Level) (20 Marks, 15 Lectures)**

Preparation of "Statement of Profit and Loss account" and "Balance sheet" as per Schedule III of the Companies Act 2013.

**Unit II Nature and Techniques of Financial statement analysis (40 Marks, 18 Lectures)**

Nature and Component of Financial Statement, Meaning and Need for Financial Statement Analysis, Traditional & Modern approaches to Financial Statement Analysis, Parties interested in Financial Statement Analysis. Techniques of Financial Statement Analysis:

- a) Common-size statement analysis  
Meaning, preparation, interpretation, uses, merits and demerits
- b) Comparative statement analysis (restricted to 2 years for intra-company and 2 companies for inter-company problems)  
Meaning, preparation, interpretation, uses, merits and demerits
- c) Trend analysis  
Meaning, determination, interpretation uses, merits and demerits  
Practical problems to include preparation of Profit & Loss Statement and Balance Sheet as per Schedule III of Companies Act 2013 from the Trial Balance given and prepare common size or Comparative statement.

**Unit III Ratio Analysis and Economic Value Added Analysis (20 Marks, 15 Lectures)**

**(a) Ratio analysis**

Meaning, Objectives, Nature of Ratio analysis, Importance & Limitations of ratio analysis, Classification of Ratios - Balance Sheet ratios, Income statement ratios, and Combined ratios, Computation, Analysis and Interpretation of important ratios for measuring - Liquidity, Solvency, Capital Structure, Profitability and Managerial Effectiveness. Overview of ratio analysis in service organization.

**(b) Economic Value added (EVA)**

Evolution of EVA concept, EVA concept, Market value added, Calculating EVA: The conceptual issues, calculating Net operating profit after tax (NOPAT), Capital employed (CE), weighted average cost of capital (WAC), Importance of EVA, Advantages of EVA, Limitations of EVA

**Unit IV Cash Flow Statement**

**(20 Marks, 12 Lectures)**



Meaning, Objectives of Cash Flow Statement, Non-cash transactions, Activity classification, Cash and cash equivalents, Direct and indirect method, Preparation and presentation of Cash Flow Statement as per indirect method and IND AS 7

#### References:

1. Bhirud, S., & Naphade, B. *Management Accounting*. Pune: Diamond Publications.
2. Gupta, S., & Sharma, R. *Financial Management*. New Delhi: Kalyani Publishers.
3. Jain, & Narang. *Advanced Accountancy*. New Delhi: Kalyani Publishers.
4. Madegowda, J. *Management Accounting*. New Delhi: Himalaya Publishing House.
5. Mukherjee, A., & Hanif, M. (2002). *Modern Accountancy* (Vol. II). New Delhi: Tata McGraw Hill.
6. Raman, A. *Advanced Accountancy*. New Delhi: Himalaya Publishing House.
7. Shukla, M. C., & Grewal, T. S. *Advanced Accounts*. New Delhi: S. Chand & Co .
8. Shukla, M., Grewal, T., & Gupta, S. *Advanced Accounts*. New Delhi: S. Chand & Co.
9. Tulsian, P. C. *Accountancy*. New Delhi: S. Chand & Co.

#### Journals for Study and Reference:

1. The Chartered Accountant: The Institute of Chartered Accountants of India
2. The Management Accountant: The Institute of Cost Accountants of India
3. The Accounting World : ICFAI Hyderabad

#### Guidelines for setting Question Paper

1. The question paper shall have total of 6 questions of 20 marks each
2. Four questions of 20 marks each to be answered
3. Question No. 1 to be compulsory (should be a practical question)
4. A question may be sub-divided if necessary
5. One question each from Unit I, Unit II, Unit III and Unit IV
6. Two questions each to be asked on unit II and unit III