

1. What is financial statement analysis?

Financial Statement Analysis is concerned with the process of determining financial strength and weakness. It establishes relationship between various accounts in the financial statements.

Its objectives:

- To estimate the earning capacity of the business
- To determine the debt capacity of the concern
- To decide about the future prospects of the concern

2. Define Financial Statement Analysis

“Financial Statement Analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm’s position and performance”

3. Who are the users of financial statement analysis?

The users of financial statement analysis are owners, investors, management and suppliers

4. What is internal analysis?

Analysis by the owners, management and employees

Carried out to find the strength and weakness of the company

To find the growth rate of the company

To carry out the future actions

5. What is external analysis?

Analysis done by the external parties like private institutions, banks and general public

The purpose is to know the financial and operating performance

To know about the credit worthiness

To know about the safety of their investment

6. What is ratio analysis?

Ratio analysis is a powerful tool of financial analysis. It is used as a device to analyse and interpret the financial health of a firm.

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of determination and interpretation of various ratios for helping in decision making.

7. What is a company?

A Company is an association of persons who contribute money or money’s worth to the common stock and employ it for some common purpose

8. What is statutory company?

Statutory company is created by special acts passed by state legislature or parliament. They are not required to have Memorandum or Articles of Association. The general objective of such companies is not only to earn profits but to serve people E.g.. Life Insurance corporation, Reserve Bank of India.

9. Registered Company : A company which is registered under the Companies Act,1956. these companies may be limited by shares, limited by guarantee and unlimited company

10. Private Company:

- Which has a minimum paid-up capital of 1 lakh rupees
- Limits its member to 50
- The name of a private company ends with “private limited”

11. Privileges of private company

Even two persons can float a private limited company

Two signatures to the Memorandum will be sufficient

It cannot and need not issue prospectus

As soon it receives certificate of incorporation, it commences business

12. What is memorandum of association?

-- To be filed with the Registrar of Companies.

-- It contains the following clauses: Name Clauses, Place Clauses, Object Clauses, Capital Clauses, Liability Clauses, Declaration Clauses

-- The Memorandum should be printed, divided into paragraphs, each numbered consecutively and signed

13. Issue of shares at discount: Issuing of shares less than the face value. If the face value of share is Rs.10/-each. Issuing less than Rs.10/-each is called as issue of shares at discount

14. What is prospectus?

A Document which contains information relating to the issuing company, besides other details of the issue is called a “prospectus”

15. Share Capital: Company have to raise capital through issue of shares is called share capital

16. Types of shares: Equity and preference shares

17. What is ESOP?

Many companies use employee stock option plan to compensate, retain, and attract employees

The plans are contract between employees and a company

It gives employees the right to buy a specific number of shares at a fixed price within a certain period of time

18. Fund Flow statement:

- Fund statement is the statement of changes in fund
- It is also called as sources and application of funds
- Sources of funds are issue of shares, issue of debentures, raising of long term loans, sale of fixed assets, sale of long term investments, funds from operations
- Application of funds are redemption of preference shares and debentures, repayment of loans, purchase of long term investments, purchase of fixed assets, payment of taxes and dividends, drawings, fund lost in operations.

19. What is Activity Based Costing?

Activity Based Costing (ABC) is an accounting technique that allows an organization to determine the actual cost associated with each product and service produced by the organization without regard to the organizational structure. It is developed to provide more-accurate ways of assigning the costs of indirect and support resources to activities, business processes, products, services, and customers.

20. What is job costing?

Job costing is a method of ascertaining cost of an individual job or work order separately. It is useful for the industries which manufacture variety of products according to the specification of customers. On receipt of an order, the production estimate the requirements of materials, tools etc... It also plans the plans of operation for executing the job.

21. What is value chain analysis?

The value chain framework is an approach for breaking down the sequence of business function into strategically relevant activities through which utility is added to products and services

22. What is process costing?

Process costing is a method used to find out the cost of a product at each stage of process or production. If there are number of process, then the finished product of one process is used as raw material for another process

Examples : Cement, Chemicals, Steel, Paper etc,,

23. What is computerized accounting system?

A computerised accounting system is an accounting information system that processes the financial transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements

24. What is codifying and grouping of accounts?

A proper codification requires a systematic grouping of accounts. The major groups or heads could be assets, liabilities, revenue receipts, capital receipt, capital expenditure. The sub-groups or minor heads could be 'cash' or "receivables" or "payables" and so on. The grouping and codification is dependant.

25. Prepackaged accounting software.

There are several prepackaged accounting software which are available in the market and are used extensively for small and medium sized organisations. The installations of these softwares are very simple. After the installation of the software, the user should check the version of the software to ensure that they have been provided with the latest.