

**DK Goel Solutions Class 12 – Chapter 2 – Part B**

**Question 1**

**What is the meaning of Financial Analysis?**

**Answer:**

**Financial statements give a mass of complex information in the absolute monetary terms and reveal a bit about the solvency, liquidity and profitability of the enterprise. The data that is provided is classified into groups and a comparison of various groups is made with one another.**

**Question 2**

**Mention 5 objectives of financial analysis.**

**Answer:**

**5 objectives of financial analysis are mentioned below:**

**To measure the earning capacity or profitability**

**To measure the solvency**

**To identify the trend of the business**

**To furnish useful data to the management**

**To measure the financial strength**

**Question 3**

**Mention 5 importance of financial analysis.**

**Answer:**

**5 importance of financial analysis are mentioned below:**

**Significance for creditors**

**Significance for government**

**Significance for employees**

**Significance for investors**

**Significance for researchers**

**Question 4**

**Mention any 2 uses of analysing the financial statements.**

**Answer:**

**2 uses of analysing the financial statements are mentioned below:**

**Helpful in making investment decisions**

**Helpful in making credit decisions**

**Question 5**

**Explain how financial statement analysis ignores qualitative elements.**

**Answer:**

**The qualitative elements like – the quality of labour force, public relations, quality of management etc., ignored while carrying out the analysis of financial statements.**

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