

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
I TRIMESTER (Batch 2022-24)
END TERM EXAMINATION, NOVEMBER 2022

Course Name	Accounting for Business	Course Code	20201
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

- a. Attempt all Questions
- b. This is a closed book exam

Qs 1 (5 Marks)

Judge, whether there is any violation and state the accounting principle.

- a) Vikram has not paid office rent for the month of March by 31st March 2022 and hence has not shown as an expense for the financial year 2021-22.
- b) Bajaj Auto purchased a machinery for Rs10 lakh on 30th April 2021 and showed only Rs1 lakh as expense in the Profit & Loss statement for the year ended 31st March 2022.
- c) A company expensed Rs20 worth of stationery in the year it acquired and did not depreciate it over its useful life of 2 years.
- d) A company received a contract of maintenance for 3 years for a total value of Rs12 lakh, and it showed revenue of Rs4 lakh in the first year.
- e) Management decides to record the changes in technology and efficiency of management.

Qs 2 (8 + 2 = 10 Marks)

The following is a partial list of account balances of a merchandizing firm for the year ended March 31, 2022:

Account	Amount (Rs)
Sales	10,50,000
Sales returns and allowances	29,570
Sales discounts	31,000
Purchases	8,63,000
Purchase returns and allowances	1,00,000
Purchase discounts	4,450
Depreciation	45,000
Office salaries	71,000
Sales salaries	1,42,000
Office rent	18,000
Finance cost	6,000

The beginning and ending inventories were Rs69,500 and Rs1,02,000 respectively.

- a) Estimate Gross Profit, EBIT and PBT of the merchandizing firm.
- b) Recommend possible areas for improvement.

Qs 3 (4+4+5 = 13 Marks)

You have been hired as an analyst for AN Bank. Your assistant has provided you with the following data for Delta Ltd and it's industry.

Ratio	2021-22	2020-21	2019-20	2021-22-Industry Average
Long-term debt/Total Assets	0.45	0.40	0.35	0.35
Inventory Turnover	62.65	42.42	32.25	53.25
Depreciation/Total Assets	0.25	0.014	0.018	0.015
Average Collection Period	113	98	94	130.25
Debt to Equity	0.75	0.85	0.90	0.88
Profit Margin	0.082	0.07	0.06	0.075
Total Asset Turnover	0.54	0.65	0.70	0.40
Quick Ratio	1.028	1.03	1.029	1.031
Current Ratio	1.33	1.21	1.15	1.25
Interest Coverage Ratio	0.9	4.375	4.45	4.65
Total Assets/Equity (Equity Multiplier)	1.75	1.85	1.90	1.88

- In the annual report to the shareholders, the CEO of Delta Ltd. wrote, "2021-22 was a good year for the firm with respect to our ability to meet our short-term obligations. We had higher liquidity largely due to an increase in highly liquid current assets (cash, trade receivables and short-term investments)." Is the CEO correct? Explain and use only relevant information in your analysis.
- Assess firm's asset management. Be as complete as possible given the above information. Use only relevant information.
- You are asked to provide the shareholders with an assessment of the firm's solvency and leverage. Be as complete as possible given the above information. Use only relevant information.

Qs 4 (6 + 6 = 12 Marks)

Given below is the standalone cash flow from operating activities of Birla Corporation

	31 st March, 2021 (Rs in crores)	31 st March, 2020 (Rs in crores)
Net Profit before tax	96.58	149.30
Adjustments for:		
Employee stock option expense	8.24	7.44
Exceptional items	(55.95)	55.95
Depreciation & Amortization	15.94	19.38
Loss on sale of PPE	0.25	0.39
Finance costs	0.86	1.51
Notional gain on transfer of assets	-	(0.01)
Interest income	(2.41)	(5.93)
Dividend income	-	(10.91)
Gain on investment	(21.90)	(15.94)
Liabilities written back (net)	(1.87)	(0.29)
Unrealised exchange (Gain)/Loss	0.21	(0.18)
Provision for expected credit loss	0.03	1.75

Operating income before working capital changes	39.98	202.46
Adjustments for:		
Inventories	(0.24)	(1.29)
Trade receivables	(1.88)	5.77
Other financial assets	0.50	(1.01)
Other current assets	0.32	39.91
Trade payables	(1.77)	5.20
Other financial liabilities	0.81	(8.38)
Other current liabilities & provisions	23.60	(5.30)
Cash generated from operations	61.32	237.36
Taxes paid	(6.71)	(55.06)
Net cash generated from operating activities	54.61	182.30

- a) Analyze the reasons for difference between accounting profit before tax and cash operating profit for the year ended 31st March, 2021.
- b) Net profit before tax declined by 35% but net cash generated from operating activities declined by 70% from 2020 to 2021. Examine why?