

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	0201
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

- a. Closed book exam. Formula sheet will be provided with the question paper.
- b. Workings should form part of the answers.

1. Sai Sukoon, a business owned by Chander Sai, engaged in the following activities in the first month:

- (a) Sai invested cash in the business.
- (b) Paid a rental deposit refundable on vacating the office.
- (c) Advertised on a travel website on credit.
- (d) Appointed a cashier.
- (e) Received a bank loan.
- (f) Bought a computer on part payment.
- (g) Provided services on credit.
- (h) Provided services for cash.
- (i) Paid for the advertisement in (c).
- (j) Collected payment for services provided in (g).
- (k) Paid interest on bank loan.
- (l) Paid Sai's grocery bill.

Using the format given below, explain whether each activity resulted in increase or decrease in the company's assets, liabilities and equity or had no effect on them. Consider the *total effect* on assets, liabilities and equity. Item (a) has been solved as an example.

Activity	Assets	Liabilities	Equity	Explanation
(a)	Increase	no effect	Increase	cash increases assets, investment increases equity (8 marks)

2. Explain the purpose of cash flow statement as the third financial statement. Validate the additional usage of the statement as against the other two financial statements (i.e. income statement and balance sheet).

(8 marks)

3. Jet Airways (India) Ltd. is a major airline in India. The following items appeared in the company's recent financial statements:

1. Aircraft fuel consumed; 2. Employee benefits
3. Deferred tax liability; 4. Travel agents' commission
5. Purchase of investments; 6. Provision for gratuity
7. Proceeds from sale of fixed assets; 8. Net cash from operating activities
9. Share capital; 10. Repayment of term loans and subordinated debt
11. Interest and finance charges; 12. Frequent flyer points not availed of
13. Inventories; 14. Aircraft lease rental; 15. Wealth tax paid
16. Capital expenditure – aircraft and others; 17. Dividend paid
18. Short-term borrowings
19. Unpaid dividend; 20. Deposit with service tax department

Required

Identify the financial statement – balance sheet, statement of profit and loss, statement of changes in equity, or statement of cash flows – in which you would expect to see each of the items and indicate whether it is a revenue, expense, asset, liability, equity, operating cash flow, investing cash flow, or financing cash flow.

(10 marks)

5. The balance sheets and the profit and loss accounts of Vyapar Syndicate Ltd for the last two years are given as follows:

Statement Profit and Loss Account for the Year Ended 31st March

Particulars	₹ in thousands)	
	2022	2021
Net sales	788,110	672,040
Other income	15,370	18,020
Total income	803,480	690,060
Cost of goods sold	520,460	473,290
Other operating expenses	131,970	118,190
Depreciation	22,260	20,140
Interest	32,860	24,380
Profit before tax	95,930	54,060
Taxes	28,780	16,218
Profit after tax	67,150	37,842
Dividend	16,788	9,460
Retained earnings	50,362	28,382

Balance Sheet as on 31st March

Particulars	2022	2021
Assets		
Non-current assets	223,200	175,960
Cash and bank	24,202	21,200
Trade receivables	91,160	68,900
Inventories	130,210	111,300
Total current assets	245,572	201,400
Total	468,772	377,360
Liabilities		
Shareholders' funds	232,682	182,320
Long-term debt	137,800	106,000
Short-term loans	58,300	58,300
Trade payables	39,990	30,740
Total current liabilities	98,290	89,040
Total	468,772	377,360

On the basis of the information given above calculate and interpret the following ratios:

- Profitability ratios (any four)
- Liquidity ratios (any two)
- Debtors turnover and Average collection period
- Creditors velocity and Average payment period
- Inventory turnover and Average holding period
- Debt equity, Total Debt to equity, and Interest coverage ratios

(14 marks)

List of formulae:

1. Gross margin = Gross profit / Sales
2. Operating margin = EBIT / Sales
3. Net profit ratio = PAT / Sales
4. RoE = PAT for equity shareholders / Equity
5. RoA = EBIT / Total assets
6. RoI = EBIT / Capital employed
7. EPS = PAT / Number of equity shares
8. Current ratio = CA / CL
9. Acid test ratio = CA – Inventories – Prepaid exp. / CL
10. Absolute ratio = Cash and CE / CL
11. Accounts receivable TO = Sales / Avg debtors
12. Avg collection period = Avg debtors / Daily sales
13. Accounts payable TO = Purchases / Avg creditors
14. Avg payment period = Avg creditors / Daily purchases
15. Inventory TO = COGS / Avg stocks
16. Stock TO = Avg stocks / Daily COGS
17. D/E ratio = NCL / Equity
18. Debt ratio = NCL+CL / Equity
19. ICR = EBIT / Interest expense
- 20.