

JAIPURIA INSTITUTE OF MANAGEMENT
POST GRADUATE DIPLOMA IN MANAGEMENT

FIRST TRIMESTER (BATCH 2017-19)

Re - Appear **END TERM EXAMINATIONS**

Course Name	Accounting for decision making	Course Code	FIN101
Max. Time	2 hrs	Max. Marks	40

Attempt All Questions

1. a) "High Debt in Capital is a double edge sword". Comment
- b) Complex Capital Structure may give rise to Diluted EPS besides the Basic EPS
(3Marks * 2= 6 Marks)

Q.2) Ms. Priyanka Gupta was selected as a Financial Analyst with Grant Thornton and was entrusted to analyse the financial statements of Maruti Suzuki India Ltd., a leading automobile company on India. She calculated the profitability, solvency and liquidity ratios of the company, while the first two set of ratios appeared to be as per her expectations, she was startled at her findings of liquidity ratios. She immediately rushed to her reporting manager to understand the reason behind such findings.

1. You are required to analyse profitability, solvency and liquidity position of Maruti Suzuki Ltd from the financial statements of the company.
2. Also help Priyanka understand the financial position of the company with a detailed examination of its liquidity position.

(7.5+2.5 =10 Marks)

Balance sheet of Maruti Suzuki Ltd.
As at March 31, 2016 (Figures in Rs. Crore)

	Mar 16	Mar 15
EQUITIES AND LIABILITIES		
Equity Share Capital	151	151
Reserves and Surplus	26,856.10	23,553.20
Total Shareholders Funds	27,007.10	23,704.20
Long Term Borrowings	0	144.8
Deferred Tax Liabilities [Net]	474.1	481
Other Long Term Liabilities	122.4	105.4
Long Term Provisions	302	292.6
Total Non-Current Liabilities	898.5	1,023.80

Short Term Borrowings	77.4	35.4
Trade Payables	7,013.30	5,561.40
Other Current Liabilities	2,364.80	1,865.80
Short Term Provisions	1,834.50	1,360.40
Total Current Liabilities	11,290.00	8,823.00
Total Capital And Liabilities	39,195.60	33,551.00
ASSETS		
Tangible Assets	12,420.90	11,967.00
Intangible Assets	346.9	292.3
Capital Work-In-Progress	1,006.90	1,882.80
Fixed Assets	13,774.70	14,142.10
Non-Current Investments	16,912.70	9,817.60
Long Term Loans And Advances	1,349.70	1,349.30
Other Non-Current Assets	9	44.1
Total Non-Current Assets	32,046.10	25,353.10
Current Investments	873	2,996.40
Inventories	3,132.10	2,615.00
Trade Receivables	1,298.60	1,069.80
Cash And Cash Equivalents	39.1	18.3
Shor Term Loans And Advances	1,556.50	1,172.80
Other Current Assets	250.2	325.6
Total Current Assets	7,149.50	8,197.90
Total Assets	39,195.60	33,551.00

Profit and Loss Account
For the year ending March 31, 2016 (Figures in Rs. Crore)

	Mar 16	Mar 15
Revenue From Operations [Net]	56,350.40	48,605.50
Other Operating Revenues	1,395.90	1,365.10
Other Income	461.9	831.6
Total Revenue	58,208.20	50,802.20
Cost of Materials Consumed	35,706.90	32,867.80
Purchase Of Stock-In Trade	3,126.40	2,665.20
Changes In Inventories Of FG, WIP And Stock-In Trade	6.9	-455.9
Employee Benefit Expenses	1,988.70	1,606.60
Finance Costs	81.5	206
Depreciation And Amortisation Expenses	2,823.90	2,470.30
Other Expenses	7,938.90	6,574.00
Total Expenses	51,673.20	45,934.00
Profit/Loss Before Tax	6,535.00	4,868.20

Total Tax Expenses	1,963.60	1,157.00
Net Profit	4,571.40	3,711.20

Q3) From the given business activities of Perkins Company estimate the cash flows from:

- a. Financing activities and (5 marks)
- b. Investing activities. (5 marks)
- (a) Purchased machinery costing Rs. 1,73,000.
- (b) Sold machinery with a book value of Rs. 67,000 (accumulated depreciation of Rs. 51,000) for Rs.22,000.
- (c) Purchased investments for Rs. 26,000.
- (d) Sold investments costing Rs. 51,000 for Rs. 42,000.
- (e) Purchased machinery for Rs. 49,000 on unsecured credit.
- (f) Issued at par shares for Rs. 1,00,000.
- (g) Maintained Reserves and Surplus of Rs. 75,000.
- (h) Converted secured debentures of Rs. 50,000 to equity shares at Rs. 10 at par.
- (i) Net profit reported for the year Rs. 1,00,000
- (j) Redeemed secured debentures of Rs. 27,000 at par.
- (k) Repaid unsecured loans of Rs. 1,000.

Q4. Jindal Steels Ltd purchased heavy machinery from France on Jan 2011. The cost associated with the acquisition of the machines included the following: list price of the machine was Rs 60 lakhs; trade discount of 7.5% was offered by the vendor; custom duty Rs 3.5 lakh; freight charges paid to the shipping company amounted to Rs2 lakh; The company had to spend Rs7.50 lakh for the installation and testing of the machine and it was estimated that its useful life at that time was 15 years with residual value of Rs 2 lakh. However in year 2015 it is observed the machinery is fast becoming obsolete and its life is reduced to 10 years with same residual value and the company wants to show this change in depreciation from Year 2016. The company follows Straight Line Method

- a) What was the Cost of Acquisition for the Machine in Year 2011?
- b) What is the Accumulated depreciation Amount till end of 2015?
- c) What is the depreciation amount to be charged from Year 2016?
- d) How is depreciation treated in preparation of Cash flow statement? (2*4=8Marks)

Q5. In each situation given below, identify whether the accounting assumption or principle or concept is being violated, giving valid reasons. Also explain the underlying assumption or principle or concept.

- a) Goldy Company, is in the middle of a patent lawsuit. It has sued Silver Company for patent infringement and anticipates winning a large settlement. This company recorded this anticipated gain in income statement
- b) Best Buy company added four months to its financial year to disclose good financial position of the business.

- c) Raman traders bought an equipment costing Rs.2,50,000 in January 2017 and full amount was charged in the Income statement of 2016-17.
- d) Mina, a partner in Big House Realty, often uses his company credit card for personal expenses like dry cleaning and new clothes. He insists that these are business expenses because he must wear new clothes in order to show houses. Therefore, these expenses were recorded in books of accounts.
- e) One of Nike's famous athletes is caught in a scandal and many people stop buying Nike products in protest of the athlete. Nike reported this loss at on its financial statements (6 Marks)