JAIPURIA INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIRST TRIMESTER (Batch 2024-26)

END TERM EXAMINATIONS, SEPTEMBER 2024

Course Name	ACCOUNTING FOR BUSINESS	Course Code	20201
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

a. It's a closed book exam
b. All questions are compulsory
c. Marks for each question are given in the parenthesis
d. Calculators are allowed. No exchange of calculators is permitted.

Q1 (3 + 4 = 7 marks) **(CLO 1 and BT II)**

(A) Rohit Bansal and Naveen Bansal operate as technical consultants in Mumbai. When their bookkeeper retired, Rohit decided to take over the financial aspect of the business. While updating records, Rohit was unsure about the treatment of the following transactions.

(a) One month before the end of the financial year April 2023 – March 2024, Rohit sent a cheque for Rs.20,000 to the landlord. This was to cover the payment of rent for the next 12 months. Rohit decided not to record this payment because most of it was for the next financial year.

(b) The company purchased a new computer for Rs.50,000. However, two months after the purchase, Naveen noticed that the same computer was available in the market for Rs.24,000. Now Rohit is not sure which value to record.

(c) One of their clients sent a cheque for Rs.65,000, while the amount due was Rs.56,000. Rohit is not sure which figure to enter in the financial records.

Required:

Explain how Rohit should treat each of the above transactions according to **the appropriate accounting concepts.**

(B) Supreme Enterprises started Burger Inc. on January 1. Mr. Verma was the sole owner of the corporation. The following transactions took place in January. Show the effect of the transactions on Accounting Equation for Burger Inc. for the month of January.

(i) January 1, Mr. Verma invested Rs. 5,000 in the business as owner.
(ii) Equipment costing Rs. 7,200 was purchased for cash.
(iii) An initial inventory of burger ingredients and boxes was purchased on credit for Rs. 800.
(iv) In January, burger sales were Rs. 12,000, all for cash.

Q2 (8 marks) **(CLO 2 and BT V)**

The various items of Statement of Profit & Loss for the year ended 31st March 2024 is given below:

Income	**Amount**
Revenue from operations	
Other income	
Total Income	600000
Expenses	
Cost of material consumed	
Changes in inventory	10200
Employee benefit expense	
Finance cost	
Depreciation & Amortization	
Other expenses	
Total expenses	330200
PBT	
Tax	
PAT	

Estimate the missing figures from the above table on the basis of the information given below:

1. Revenue from operations are 80% of total income
2. Raw material purchased Rs 30,000. Opening & Closing inventory of raw material are Rs 25,000 and Rs 10,000 respectively.
3. Employee benefit expense is 20% of Revenue from operations
4. Interest rate on long-term borrowings and short-term borrowings are 10% and 6% respectively
5. Depreciation is 10% of PPE and Amortization is 8% of Intangible Assets.
6. Tax rate is 30% of PBT
7. Long-term and Short-term borrowings are Rs 1,00,000 and Rs 40,000 respectively
8. PPE and Intangible assets are Rs 2,00,000 and Rs. 50,000 respectively

Q3. (3+6+6 = 15 marks) **(CLO 3 and BT Level IV and V)**

Below are the extracts from Statement of Profit and Loss as well as Balance Sheet of Cosmic Ventures Ltd and Galaxy Solutions Ltd for 2023-2024.

Extract from Statement of Profit and Loss :

Particulars	**Galaxy Solutions Ltd (Rs.)**	**Cosmic Ventures Ltd (Rs.)**
Revenue from Operations	65000	58000
Cost of Goods Sold	40000	35000
Administrative Expenses	4000	4500
Depreciation & Amortization	1500	1700
Finance Costs	1300	900
Other Income	600	700
Net Profit	8300	7700

Extract from Balance Sheet:

Particulars	Galaxy Solutions Ltd (Rs.)	Cosmic Ventures Ltd (Rs.)
Non-current Assets	60000	72000
Current Assets	20000	30000
Investments	8000	5000
Total Assets	88000	107000
Equity Share Capital	55000	60000
Other non-current liabilities	12000	10000
Total debt	15000	31000
Current Liabilities	6000	6000

a) Based on the balance sheet, which company is better positioned to cover its short-term obligations? Estimate the relevant ratios and evaluate.

b) Analyze which company is performing better in terms of profitability. Estimate the relevant profitability ratios for the same.

c) Based on the balance sheet, analyze which company is in a better solvency position. Estimate the relevant ratios for the same to justify your answer.

Q4. (6 + 4 = 10 marks) (CLO 3 and BT Level II, IV and V)

A) Classify each as an operating activity, investing activity, financing activity, non-cash activity, or cash management activity.

i) Received Rs. 5 lakhs from the sale of obsolete equipment.
ii) Entered into a deferred payment credit for a new plant.
iii) Received Rs. 8 lakhs in dividend income from investments.
Iv) Borrowed Rs. 40 lakhs from a bank.
v) Collected Rs. 25 lakhs from a customer for services to be provided in the future.
vi) Converted long term loan into equity shares.

B) You are tasked with analyzing the standalone cash flow statement from operating activities of Delta Industries for the fiscal years ending March 31, 2024, and March 31, 2023. The data is presented below:

	31st March, 2024 (Rs. in crores)	31st March, 2023 (Rs. in crores)
Net Profit before tax	120.45	155.60
Adjustments for:		
Amortization	10.35	9.15
Exceptional items	(70.00)	70.00
Depreciation	17.60	22.10
Loss on sale of PPE	0.45	0.75
Finance costs	1.25	2.05
Interest income	(3.00)	(6.30)
Dividend income	-	(12.00)
Other non-operating income	(25.00)	(18.00)

	31st March, 2024 (Rs. in crores)	31st March, 2023 (Rs. in crores)
Losses from sale of investments	.0.30	.0.25
Operating income before working capital changes	52.40	223.6
Adjustments for:		
Inventories	(0.30)	(1.50)
Trade receivables	(2.00)	6.00
Other current assets	0.40	40.00
Trade payables	(2.50)	5.60
Other current liabilities & provisions	25.00	(4.00)
Cash generated from operations	73	269.7
Taxes paid	(8.50)	(60.00)
Net cash generated from operating activities	64.5	209.7

Net profit before tax declined by 22.59% from 2023 to 2024, but net cash generated from operating activities declined by 69.24% over the same period. Explain why the cash flow from operating activities declined at a higher rate than the net profit before tax.