

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 (5 + 3 = 8 marks)

(CLO 1 & BT III and I)

(A) Apply relevant accounting concepts and state if there is/is not any violation of accounting concepts.

- a) Mr. David, having a readymade garments shop, took some shirts from stock for personal use and recorded it in sales. He also paid fees for his children and showed them as staff welfare expense.
- b) John Company Ltd. has not paid salary to his employees for the month of March by 31st March 2024, and hence has not shown it as an expense in the Statement of Profit & Loss for the year 2023-24
- c) Zenith Ltd. has purchased an equipment worth Rs. 1 crore, having a life of 5 years, and the entire amount has been shown as office expense in the current financial year.
- d) A company dealing in electrical items has some finished goods inventory, whose value as per cost record is Rs, 10 lakh, while the market value is Rs. 9 lakh. The company accountant has recorded the inventory in the books of accounts at Rs. 9 lakh.
- e) Mr. Amit Singhania, Managing Director of Multibillion Dollar Company, died, because of which company might have to suffer huge financial setback. Thus, it needs to be recorded in books of account.

(B) Omaxe Ltd. has furnished following transactions for the month of July 2024. Show the effect of these transactions on the accounting equation:

- i. Started business by investing Rs.10,00,000 as follows: Rs.90,000 in cash; Rs.1,90,000 in furniture; Rs.2,70,000 in machinery; and balance in office building.
- ii. Received an order for goods worth Rs.1,40,000.
- iii. Purchased raw material for Rs. 40,000 on cash from a supplier.

Q2 (6 + 1 = 7 marks)**(CLO 2 and BT V)**

The following is a partial list of account balances of a merchandizing firm for the year ended March 31, 2024

Accounts	Amount (Rs.)
Purchase returns and allowances	13,000
Purchase discounts	5,200
Opening inventory of stock in trade	2,26,000
Revenue from sales	10,25,000
Sales discounts	36,500
Purchases of stock-in-trade	5,00,000
Employee salaries	1,43,000
Office rent	20,000
Closing inventory of stock in trade	2,00,000
Freight in (for goods purchased)	25,500
Electricity costs for office	4,500
Depreciation & Amortization	1,50,000
Finance cost	5,000
Advertisement expense	6,000
Taxes paid	19,400

You are required to do the following:

1. Estimate COGS, Gross Profit, EBITDA, EBIT, PBT and PAT of the firm.
2. Recommend possible areas for improvement in the income statement.

Q3 (3+6+4+2 = 15 marks)**(CLO 3 and BT Level IV and V)**

You are provided with items from the Statement of Profit and Loss as well as Balance Sheet of Stellar Technologies Ltd and NovaTech Pvt Ltd for the year 2023-2024.

Items from the Statement of Profit and Loss:

Particulars	NovaTech Pvt Ltd (Rs.)	Stellar Technologies Ltd (Rs.)
Revenue from Operations	43000	52000
Cost of Goods Sold (COGS)	30000	32500
Operating Expenses	8000	7000
Depreciation & Amortization	2000	1800
Finance Costs	1200	1000
Net Profit	8900	9700

Items of Balance Sheet:

Particulars	NovaTech Pvt Ltd (Rs.)	Stellar Technologies Ltd (Rs.)
Non-current Assets	55000	67000
Current Assets	35000	45000
Total Assets	90000	112000
Equity Share Capital	40000	62000
Total Debt	25000	30000
Other non-current liabilities	10000	13000
Current Liabilities	15000	7000

You are required to undertake the following:

- a) Based on the balance sheet, estimate the relevant liquidity ratios and interpret which company is in a better liquidity position.
- b) Based on the balance sheet, analyze the solvency of both the firms by estimating relevant ratios.
- c) Based on the items of statement of profit on loss, estimate and analyze the Gross Profit Margin Ratio of both the firms.
- d) The average collection period of Stellar Tech is 21 days, while that of NovaTech is 44 days. Based on this information, examine which company is better is managing its trade receivables.

Q4 (7 + 3 = 10 marks)

(CLO 3 and BT Level IV)

You are a financial consultant and have been appointed by your client to evaluate the performance of two companies based on their cash flow statements. Below are **cash flows from operating, investing, and financing activities** of the two firms for the year ended 31st March, 2024:

Particulars	Precision Ltd. (Rs. in lakhs)	Aksara Ltd. (Rs. in lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	987.04	2,185.75
Adjustments for non-operating and non-cash expenses:		
Interest expense	87.77	80.88
Gain on investment	(40.37)	(42.62)
Depreciation	1.49	5.82
Interest income	(37.15)	(24.77)
Amortization	388.95	362.10
Dividend on investments	(12.22)	(176.21)
Provision for doubtful debts	1.65	14.99
Operating income before working capital changes	1377.16	2405.94
Adjustments for (increase) / decrease in operating assets :-		
Inventory	494.52	(71.08)
Trade receivables	128.50	(303.30)
Other current assets	97.62	(152.60)
Adjustments for increase / (decrease) in operating liabilities :-		
Trade payables	(37.03)	96.10
Other liabilities (Current)	(15.76)	26.06
Cash generated from operations	2045.01	2001.12
Taxes paid	(254.99)	(507.90)
Net cash generated from operating activities	1790.02	1493.22
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(651.48)	(499.42)
Proceeds from sale of Investments	35.88	296.19
Interest received	32.48	16.70

Payment for purchase of property, plant and equipment	(613.71)	(516.49)
Proceeds from disposal of property, plant and equipment	6.50	10.71
Dividend on subsidiaries, associates and other investments	12.22	176.21
Net cash used in investing activities	(1178.11)	(516.10)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from equity share capital	3.03	12.82
Proceeds from borrowings	410.56	87.95
Repayment of borrowings	(612.84)	(282.28)
Dividends on equity share capital paid	(0.40)	(296.43)
Interest paid	(87.77)	(80.88)
Net cash used in financing activities	(287.42)	(558.82)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	324.49	418.30
Cash and cash equivalents at the beginning of the year	53.75	30.81
Cash and cash equivalents at the end of the year	378.24	449.11

Additional Information:

The net sales of Precision Ltd. And Aksara Ltd. are Rs. 1050 lakhs and Rs. 2300 lakhs, respectively.

The current liabilities of Precision Ltd. And Aksara Ltd. are Rs. 153.5 lakhs and Rs. 175.67 lakhs, respectively.

Undertake the following:

a) Examine the relevant cash flow ratios of both the companies and recommend which company is in a better position to run its business and meets its obligations with its current cash flows, without disruption of its activities. Use all relevant information.

b) Profit after tax for Aksara Ltd was 121.45% higher than that of Precision Ltd in 2023-24. However, the Cash and cash equivalents for Aksara Ltd was only higher by 18.74% in comparison to Precision ltd. Analyse the reasons for the same.