Online PGDM

First Year, Trimester 1, June 2023

Course Name : Accounting for Decision Making **Max Marks : 70**

Course Code : 1105 **Max Time : 2 hrs**

Instructions for Students : Attempt all questions.

Section A : Objective Type Questions Max. Marks-20

	Question	Option1	Option2	Option3	Option4
1	Which of the following sections are not covered in the annual report of the company?	financial summary related to the past year's performance	information about the company, its products, and its activities	audited financial statements, including limited historical financial data	Financial analysis of the competitors
2	Annual reports are prepared by a firm's management to	communicate to shareholders the firm's failures in the previous year.	provide overview of the firm's financial and operating performance.	highlight the performance of its chief competitors.	provide a forecast of the economy in the coming years.
3	Current assets can generally considered to	have little value.	have been completely depreciated.	be converted to cash within one year.	have been financed with owners equity.
4	Common-size financial statements:	are a specialised application of ratio analysis.	allow us to make meaningful comparisons between the financial statements of two firms	are prepared by having each financial statement item expressed as a percentage of some base number, such as	All of the these are true.

			that are different in size.	total assets or total revenues.	
5	Which of the following is true of ratio analysis?	A ratio is computed by dividing one balance sheet or income statement item by another.	The choice of the scale determines the story that can be garnered from the ratio.	Ratios can be calculated based on the type of firm being analysed or the kind of analysis being performed.	All of the these are true.
6	Which of the following is NOT true of liquidity ratios?	They measure the ability of the firm to meet short-term obligations with short-term assets without putting the firm in financial trouble.	There are two commonly used ratios to measure liquidity—current ratio and quick ratio.	For manufacturing firms, quick ratios will tend to be much larger than current ratios.	The higher the number, the more liquid the firm and the better its ability to pay its short-term bills.
7	Which of the following is not true about the inventory turnover ratio.	It is calculated by dividing inventories by cost of goods sold.	It measures how many times the inventory is turned over into saleable products.	The more times a firm can turnover the inventory, the better.	Too high a turnover or too low a turnover could be a warning sign.
8	Which one of the following statements is NOT true?	The accounts receivables turnover ratio measures how quickly the firm collects on its credit sales.	One ratio that measures the efficiency of a firm's collection policy is days' sales outstanding.	The more days that it takes the firm to collect on its receivables, the more efficient the firm is.	DSO measures in days, the time the firm takes to convert its receivables into cash.
9	Which one of the following statements about trend analysis is NOT correct?	This benchmark is based on a firm's	It allows management to examine each ratio	The International Standard Industrial	All of the these are

		historical performance.	over time and determine whether the trend is good or bad for the firm.	Classification (SIC) System is used to identify benchmark firms.	true statements.
10	Peer group analysis can be performed by	management choosing a set of firms that are different in size or sales, or who compete in the different market.	using the average ratios of this peer group, which would then be used as the benchmark.	identifying firms in the different industry that are grouped by size, sales and product lines in order to establish benchmark ratios.	None of these
11	Limitations of ratio analysis include all but	Ratios depend on accounting data based on historical costs.	Differences in accounting practices like FIFO versus LIFO make comparison difficult.	Trend analysis could be distorted by financial statements affected by inflation.	All of the these are limitations of ratio analysis.
12	Which one of the following statements is NOT correct?	The DuPont system is based on two equations that relate a firm's ROA and ROE.	The DuPont system is a set of related ratios that links the balance sheet and the income statement.	Both management and shareholders can use this tool to understand the factors that drive a firm's ROE.	All are correct.
13	Accounting period concept indicates	Accounting can be done for any period of time	Accounting should be done differently for different years	The firm should follow same time period (generally financial year) for reporting of accounts	None of these
14	The firms follows	Cash basis of accounting	Accrual basis of accounting	Both Cash and Accrual basis of accounting	None of these

15	To align with IFRS, the name of accounting issued in India is	Ind AS	AS	IFRS-AS	None of these
16	Current liabilities are liabilities that	will be converted to cash within a year.	must be paid within a year.	will be converted to equity within a year.	none of the above
17	A director who is not an employee of the firm is called	an executive director.	an inside director.	an independent director.	an official director.
18	Taxing authorities allow the fully installed cost of an asset to be written off for tax purposes. This amount is called the asset's	cost of capital	initial cash outlay	depreciable basis	sunk cost
19	The shares of the company are issued for the first time in market through	IPO	FPO	NFO	None
20	Which of the following is not an example of financial intermediary?	Banks	Mutual Funds	Coal India Ltd.	None

Section B : Subjective Type Questions (Short Answer Questions) Max. Marks-10

Attempt any two questions. Each question carries five marks. (Word Limit: 100 Words)

- B1. How do you see the importance of past performance and peers' performance as criteria for comparison of the financial performance of the firm?
- B2. Analysis of financial statements can allow us to evaluate the financial health of the firm. Do you agree with this? Support your answer with suitable logic/example.
- B3. Briefly explain the process of preparation of financial statements of the company.

Section C : Subjective Type Questions (Long Answer Questions) Max.Marks-40

Attempt all questions. The marks are indicated along with the question. (Word Limit: 500 Words)

C1. The different stakeholders give different weights to various aspects of financial statements while conducting the analysis. Do you agree with this? Support your answer with suitable logic/example.

Or

What do you understand by the accounting concepts? Briefly discuss the importance of each accounting concept in process of preparation of financial statements.

C2. What are the different building blocks of financial statement analysis? Discuss the importance of each building block for different stakeholders (mainly creditors and shareholders).

Or

Discuss the importance of ratio analysis in evaluating the financial health of a firm.

C3. The profit and loss statement and balance sheet of Reliance Industries Limited for past two financial years are provided below.

Profit and Loss Statement		
Annual	**Mar-23**	**Mar-22**
Sales	892944	699962
Other Income	11826	14947
Total Income	904770	714909
Total Expenditure	790355	616463
EBIT	114415	98446
Interest	19571	14584
Tax	20713	16297
Net Profit	74131	67565

Balance Sheet		
	Mar-23	**Mar-22**
Equities & Liabilities		
Share Capital	6766	6765
Reserves & Surplus	814387	772720
Current Liabilities	396534	308662
Other Liabilities	495819	411518
Total Liabilities	1713506	1499665
Assets		
Fixed Assets	1003383	787295
Current Assets	441978	347019
Other Assets	268145	365351
Total Assets	1713506	1499665

A. Perform the horizontal analysis and interpret the results. Also comment on the financial performance of Reliance Industries Ltd.

B. Perform the vertical analysis and interpret the results. Also comment on the financial performance of Reliance Industries Ltd.