

Online PGDM

First Year, Trimester 1, October 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

SNo	Question	Option1	Option2	Option3	Option4	
1	The cash remaining after the firm has met its operating expenses, payments to creditors, and taxes is called	earnings per share	capital contributed in excess of par	residual cash	assets	
2	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	
3	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	
4	Which of the following is an internal source of investment funding?	Issuing Bonds	Sale of Stocks	Undistributed Profits or Retained Earnings	All	
5	Which ratio tells the user everything there	Current ratio	Earnings per share	Price/earnings ratio	No ratio tells the user everything	

	is to know about a company?				about a company	
6	An example of horizontal analysis would be:	comparing the income of General Motors to that of Ford Motor Company	comparing the income of companies in the auto industry to those in the motorcycle industry	comparing the cash of Wal-Mart for 2005 to the cash of Wal-Mart for 2006	comparing the net income of Wal-Mart for 2005 to the assets of Wal-Mart for 2006	
7	Tracking items over a series of years is a practice called:	profitability analysis	ratio analysis	trend analysis	financial statement analysis	
8	A measure of liquidity would include:	the gross profit ratio	net income	the price/earnings ratio	the quick ratio	
9	Solvency refers to:	a company's ability to meet its current obligations	how well management is using company resources	a measure of a company's success in earning a return for stockholders	the ability of a company to remain in business over the long term	
10	A measure of solvency would include the:	accounts receivable turnover ratio	cash-to-cash operating cycle	times interest earned ratio	asset turnover ratio	
11	A measure of profitability would include:	earnings per share	the debt-to-equity ratio	the inventory turnover ratio	All of the answers are correct	
12	Financial statements can be analysed from the following three different perspectives:	management, regulator and bondholder	management, shareholder and creditor	regulator, shareholder and creditor	shareholder, creditor and regulator	
13	Shareholders analyse financial statements in order to:	assess the cash flows that the firm will generate from operations	determine the firm's profitability, their return for that period and the dividend they are likely to receive.	focus on the value of the shares they hold.	All of these	

14	The creditors of a firm analyse financial statements so that they can focus on	the amount of debt in the firm.	the firm's ability to generate sufficient cash flows to meet all legal obligations first and still have sufficient cash flows to meet debt repayment and interest payments.	the firm's ability to meet its short-term obligations.	All of the above	
15	Which one of the following statements is correct?	The lower the level of a firm's debt, the higher the firm's leverage.	The lower the level of a firm's debt, the lower the firm's equity multiplier.	The lower the level of a firm's debt, the higher the firm's equity multiplier.	The tax benefit from using debt financing reduces a firm's risk.	
16	Which of the following is not an example of current assets?	Inventories	Trade Debtors	Loans and Advances	Borrowings	
17	Ordinary shares in limited companies:	have a limited life, with no voting rights but receive dividends	have an unlimited life, and voting rights but receive no dividends	have a limited life, and voting rights and receive dividends	have an unlimited life, and voting rights and receive dividends	
18	Dividends are:	paid to lenders	not paid to ordinary shareholders	not allowable for corporation tax	not paid to preference shareholders	
19	The quick ratio (or acid test) indicates:	the rate at which cash is being received	the short-term liquidity of the business	the rate at which cash is being spent	the speed with which profits are being made	
20	Alex Ltd. has current assets of Rs.623 122, including inventories of Rs.241 990 and current liabilities of Rs.378 454. What is the quick ratio?	1.65	0.64	1.01	None of the above	

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. Explain different methods of depreciation used for accounting.
- B2. For any investor, it is important to assess the final financial health of the firm using appropriate financial statement analysis tools and techniques. Do you agree with this? Support your answer with suitable logic/example.
- B3. Briefly explain the accounting equation used to understand the classify the accounting transaction. You can take examples of any five sample transactions.

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. How do you see the importance of past performance and peers' performance as criteria for comparison of the financial performance of the firm?

Or

What do you understand by the accounting conventions? Briefly discuss the importance of each accounting convention in the 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 Dupont analysis in evaluating the growth in ROE of a firm. Explain with suitable examples.

C3. The profit and loss statement and balance sheet of Tata Consultancy Services Ltd. (TCS) for past two financial years are provided below.

Profit and Loss Statement (in Crore Rupees)		
Annual	Mar-23	Mar-22
Sales	1,46,767	1,21,641
Other Income	2,701	2,295
Total Income	1,49,468	1,23,936
Total Expenditure	1,15,862	93,626
EBIT	33,606	30,310
Interest	284	200
Tax	9,214	7,964
Net Profit	24,108	22,146
Balance Sheet (in Crore Rupees)		
	Mar-23	Mar-22

Equities & Liabilities		
Share Capital	2,069	2,098
Reserves & Surplus	72,460	72,646
Current Liabilities	39,186	33,603
Other Liabilities	12,101	9,538
Total Liabilities	1,25,816	1,17,885
Assets		
Fixed Assets	22,265	20,021
Current Assets	70,881	67,185
Other Assets	32,670	30,679
Total Assets	1,25,816	1,17,885

A. Perform the horizontal analysis and interpret the results. Also comment on the financial performance of TCS.

B. Perform the vertical analysis and interpret the results. Also comment on the financial performance of TCS.