



**Online PGDM**

**First Year, Trimester 1, June 2024**

**Course Name : Accounting for Decision Making**

**Max Marks : 70**

**Course Code : 1105**

**Max Time : 2 hrs**

*Instructions for Students : Attempt all questions.*

**Section A : (10 MCQs of 2 marks each)**

**Max. Marks-20**

1. Name the accounting assumptions generally accepted as fundamentals of accounting
  - A. Going Concern
  - B. Transparent
  - C. Logical
  - D. Cash basis
2. Which of the following represents an accounts payable?
  - A. Long-term liabilities
  - B. Goods sold on credit
  - C. Goods purchased on credit
  - D. Bad debts
3. Which of the following is an example of capital expenditure?
  - A. Salaries
  - B. Customs duty on import of machinery
  - C. Depreciation on machinery
  - D. Taxes and legal expenses
4. To understand the overview of a business' financial condition, what basic financial statements are made by the Company Accountants?
  - A. The basic statements made, are statement of retained earnings and Statement of cash flows
  - B. The basic statements made is Balance Sheet.
  - C. The basic statements made are Balance Sheet and Income Statement.

D. The basic statements made are Balance Sheet, P&L Statement, Statement of Changes in Equity and Statement of Cash Flow

5. A company's balance sheet is often described as a snapshot of a company's financial condition, this statement is made for what period?

- A. Balance sheet is always made as on a given point in time
- B. Balance sheet is always made over a period of time
- C. Balance sheet is always made only after 15 months of working
- D. Balance sheet is always made only after 11 months of working

6. As per the Principle of Duality, total Assets are always equal to total Liabilities, therefore what would be the fundamental accounting equation?

- A. Owners' equity + Assets = Liabilities (external)
- B. Owners' equity + Liabilities (external) = Assets
- C. Owners' equity + Liabilities (external) = Fixed Assets
- D. Owners' equity + Liabilities (external) = Current Assets

7. The short-term solvency ratios examine how quickly a firm's assets can be converted into cash. The quick ratio is computed by what formula?

- A. Current assets/Current liabilities
- B. (Current assets - Inventory)/Current liabilities
- C. (Current assets - Account receivables)/Current liabilities
- D. (Current assets - Cash)/Current liabilities

8. Which profit margin measures the overall operating efficiency of the firm?

- A. Operating Profit Margin
- B. Gross Profit Margin
- C. Profit Before tax margin
- D. Net Profit Margin

9. Cash payments or receipts to acquire or dispose non-current assets are classified as

- A. Recurring activity
- B. Investment activity
- C. Operating activity
- D. Financing activity

10. Cash flow statement is not useful for which one of the following stakeholders?

- A. Customers of the business enterprise

- B. Suppliers of the business enterprise
- C. Debenture holders of the business enterprise
- D. Bankers to the business enterprise

**Section B :**

Max. Marks-10

Write short notes on the following (5 marks each):

- (a) Depreciation methods
- (b) Any three accounting concepts

**Section C : (30 + 10)**

Max.Marks-40

1. The financial ratios for the top three pharmaceutical companies are provided below:

S. No	Name of Companies	Financial Ratios of Pharmaceutical Companies	Mar 2023	Mar 2022	Mar 2021
1	Cipla	Current Ratio	3.84	3.70	2.90
2	Dr Reddys Laboratories		2.00	1.47	1.76
3	Sun Pharmaceutical Industries		1.95	1.30	1.48
1	Cipla	Quick Ratio	2.74	2.61	1.89
2	Dr Reddys Laboratories		1.33	2.22	2.07
3	Sun Pharmaceutical Industries		1.43	0.97	1.54
1	Cipla	Debt Equity Ratio	--	--	--
2	Dr Reddys Laboratories		--	0.12	0.07
3	Sun Pharmaceutical Industries		0.32	0.20	0.26

1	Cipla	Interest Coverage Ratio	135.21	132.68	75.34
2	Dr Reddys Laboratories		229.76	59.52	66.44
3	Sun Pharmaceutical Industries		10.91	6.48	9.73
1	Cipla	Total Assets Turnover Ratio	0.65	0.59	0.71
2	Dr Reddys Laboratories		0.94	0.78	0.84
3	Sun Pharmaceutical Industries		0.76	0.63	0.41
1	Cipla	Gross Profit Margin (%)	20.24	22.2	22.77
2	Dr Reddys Laboratories		19.4	12.35	17.24
3	Sun Pharmaceutical Industries		23.4	9.99	18.34
1	Cipla	Net Profit Margin (%)	15.91	22.59	17.75
2	Dr Reddys Laboratories		15.4	11.26	16.37
3	Sun Pharmaceutical Industries		8.12	-0.64	16.71
1	Cipla	Return On Asset (%)	14.82	15.87	17.04
2	Dr Reddys Laboratories		18.96	11.02	17.08
3	Sun Pharmaceutical Industries		16.43	8.53	7.92
1	Cipla	Return On Equity (%)	10.21	13.15	12.4
2	Dr Reddys Laboratories		12.76	8.85	12.87

3	Sun Pharmaceutical Industries		7.11	-0.4	8.54
1	Cipla	Basic EPS (Rs.)	31.15	36.67	30.61
2	Dr Reddys Laboratories		157.37	97.85	131.84
3	Sun Pharmaceutical Industries		7	-0.4	8.92

In the light of financial ratios above, compare and interpret the following ratios of these Pharma Companies: Short-term solvency, Long-term solvency and Profitability.

2. Explain the types of ratios for analysing cash flow statement.