JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIRST TRIMESTER (Batch 2025-27)

END TERM EXAMINATIONS, OCTOBER 2025

SET-1

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. (1*3=3 marks, 1*4=4 marks) (CO 1, BT Level II & III)
a) Identify the accounting concepts, principals or conventions that have been applied/violated in the following situations?

1. An IT services firm signs a ₹50 crore, 3-year contract with a client. The entire contract amount is recorded as revenue in this year's books of accounts. However, out of this, the client pays only ₹20 crore upfront, with the remaining amount to be paid in annual installments linked to project milestones in the coming years.

2. The owner of a sole proprietorship withdraws ₹5 lakh from business funds to pay for his daughter's wedding. The accountant records this as "business expense".

3. A company has an ongoing lawsuit. The lawyer believes there is 80% chance of losing the case, with an expected payout of ₹15 crore. The company records a provision and sets aside full ₹15 crore for the expected loss.

b) Illustrate the effect of the following transactions on the accounting equation:
1. Sold goods costing ₹2,00,000 for an amount of ₹3,20,000, out of which half sales is in cash and half on credit.
2. Paid ₹40,000 salaries.
3. Dividend declared and later paid in cash ₹5,000.
4. Owner withdrew ₹1,50,000 for personal use.

Q2. (7+1 = 8 marks) (CO 2 and BT Level V)
The following is a partial list of account balances of Orbit trading (P) ltd. for the year ended March 31, 2025:

Account	Amount (Rs.)
Sales Revenue	8050000
Sales returns and allowances	450000
Goods & service tax on sales	250000
Cash discounts on sales	85000

Purchases	2050000
Purchase returns and allowances	100000
Purchase discounts	45000
Depreciation	85000
Office salaries	120000
Selling & distribution expenses	420000
Office rent	220000
Finance cost	135000
Tax (@30% of PBT)	

The beginning and ending inventories were Rs. 320000 and Rs. 440000 respectively.

a) Estimate Gross Profit, EBITDA, EBIT, PBT and PAT of the merchandizing firm.
b) He has set a target of 25% net profit margin. Evaluate the firm's performance against this target.

Q3. (3+4+4+4 = 15 Marks) **(CO 3, BT Level IV and V)**

You are a financial analyst comparing the performance of HUL and ITC Ltd. in the Indian FMCG sector. The following ratios for the past three years are given, along with the industry benchmarks.

Company	Ratio	2024–25	2023–24	2022–23	Industry Avg (2024–25)
HUL	Current Ratio	1.65	1.72	1.84	1.80
ITC		2.01	1.96	1.90	
HUL	Receivable Turnover Ratio	11.2	10.5	9.8	9.1
ITC		6.7	6.3	6.0	
HUL	Debt-Equity Ratio	0.18	0.16	0.22	0.30
ITC		0.10	0.09	0.12	
HUL	EPS (Rs.)	11.2	9.8	7.5	–
ITC		15.6	14.2	13.0	
HUL	Inventory Turnover Ratio	7.9	7.4	6.8	6.0
ITC		5.2	5.0	4.8	
HUL	Interest Coverage Ratio	46.8	44.5	40.7	25
ITC		78.3	74.5	72.1	
HUL	Net Profit Margin (%)	26.5	26.1	25.7	16
ITC		17.1	16.3	15.0	
HUL	Return on Equity (%)	14.6	13.8	11.9	20
ITC		26.4	25.6	23.2	
HUL	Quick Ratio	1.22	1.30	1.41	1.30
ITC		1.48	1.44	1.39	

a) The CFO of ITC stated in the annual report: *"Our firm is better positioned than peers to meet short-term obligations."* As a financial analyst, critically evaluate this claim by comparing the relevant ratios across the two companies for the past three years, and with reference to industry benchmarks.

b) You are asked to provide the board of directors with an assessment of how efficiently HUL and ITC manage their assets.

c) During the annual general meeting, HUL's management highlighted its *"higher solvency and ability to cover debt obligations comfortably."* Do you agree with this statement? Analyze of the two companies' solvency using the given data.

d) The Chairman of HUL declared: "*Our strong profit margins provide superior value and return to shareholders compared to ITC.*" Evaluate this statement using the ratios provided.

Q4. (4+2+3= 10 marks) (CO 3, BT Level IV and V)

You have been given excerpts from the cash flow statements of two Iron and Steel casting companies, named Iron Works Ltd. and Hammer Co. Ltd, below:

	Rs. Crores	
Cash Flow Statement	**Iron Works Ltd.**	**Hammer Co. Ltd.**
Profit Before Tax	127.5	191.25
Operating Profit	136.75	199.5
Adjustments for working capital:		
Accounts Receivables	20.5	9
Advance Received	19	10
Accounts Payables	27	6
Taxes	(3.25)	(4.5)
Net Cash flow operating activities (A)	200.00	220.00
Cash Flow from investing activities (B)	(12.00)	(18.00)
Cash Flow from financing activities (C)	15.00	11.00
Net increase or decrease in cash and cash equivalents (A) + (B) + (C)	**203.00**	**213.00**
Cash and cash equivalents at the beginning of the year	89.00	75.00
Cash and cash equivalents at the end of the year	**292.00**	**288.00**
Other Information (Rs. Crores)		
Net sales	650	845
Profit Before Tax	127.5	191.25
Profit After tax	102	153
Current Liabilities	45	65
Interest paid on borrowed funds	(6.00)	(14.00)
Purchase of PPE	(18.00)	(18.00)

a) Determine relevant cash flow ratios of both firms to assess which firm is in a better position to run its business and meet its obligations with its current cash flow, without disruption of its activities. Analyze and provide the justifications for the same.

b) Examine the capital expenditure cover of both firms and evaluate their ability to fulfil growth and expansion needs.

c) Hammer Co. Ltd has accounting profits before tax that are 50% higher than those of Iron Works Ltd. respectively. However, its cash and cash equivalents at the end of the year are ₹4 crores less than those of Iron Works Ltd. Analyze the possible reason for this gap.