JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIRST TRIMESTER (Batch 2025-27)

END TERM EXAMINATIONS, OCTOBER 2025

SET-2

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. A retail chain switches from FIFO to Weighted Average method for inventory valuation only in a year of rising prices.
2. A consultancy firm's reputation and employee expertise are its key strengths. These cannot be shown in the balance sheet and are excluded.
3. A large listed company with annual turnover of ₹3,000 crore decides not to disclose a ₹1 lakh contingent liability from a consumer case.

b) A business reports the following:
Assets = ₹15,00,000; Liabilities = ₹9,00,000; Equity = ₹6,00,000

Transactions during the year:

- Paid creditors ₹2,00,000
- Purchased inventory worth ₹1,50,000 on credit
- Sold goods costing ₹1,00,000 for ₹1,40,000 on credit
- Machinery worth ₹5,00,000 purchased, paid ₹3,00,000 cash and balance on credit

Show the effect of these transactions on the accounting equation and the new values of Assets, Liabilities, and Equity after these transactions.

Q2. (7+1 = 8 marks) (CO 2, BT Level III & V)

Revenue from Sales	750000
(-) Cost of Goods Sold	
Gross Profit	
(-) Operating Expenses (excluding Dep & Amortization)	
EBITDA	
(-) Depreciation & Amortization	
Operating EBIT	

(+) Net Other Income	
Total EBIT	
(-) Interest	
PBT	
(-) Tax	
PAT	

Additional Information:

1 Opening & Closing Inventory of Finished Goods are Rs. 30000 & Rs. 20000 respectively
2 Raw Material consumed is Rs. 40000
3 Labor cost is Rs. 30000
4 Factory Overheads is Rs. 20000
5 Operating Expenses are Rs. 25000 (including Rs. 5000 for Depreciation & Amortization)
6 Net Other Income is Rs. 6000
7 Interest paid is Rs. 7000
8 Tax @ 30% of PBT

a) Construct the above functional profit & loss statement with the help of additional information provided.
b) Recommend areas of improvement.

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

You are a financial analyst comparing the performance of Maruti Suzuki India Ltd. and Tata Motors Ltd. in the Indian Automobile sector. The following ratios for the past three years are given. along with industry benchmarks.

Company	Ratio	2024–25	2023–24	2022–23	Industry Avg (2024–25)
Maruti	Current Ratio	1.45	1.50	1.55	1.60
Tata Motors		1.32	1.35	1.38	
Maruti	Cash Ratio	0.42	0.40	0.38	0.45
Tata Motors		0.30	0.28	0.27	
Maruti	Debt-to-Total-Assets Ratio	0.28	0.27	0.29	0.30
Tata Motors		0.41	0.43	0.45	
Maruti	Interest Coverage Ratio	9.8	9.2	8.5	8.0
Tata Motors		5.2	4.9	4.6	
Maruti	Inventory Turnover (times)	5.8	5.5	5.3	5.0
Tata Motors		4.6	4.4	4.1	
Maruti	Asset Turnover (times)	0.92	0.88	0.85	0.90
Tata Motors		0.81	0.78	0.74	
Maruti	Gross Profit Margin (%)	27.5	27.0	26.4	25
Tata Motors		22.8	22.0	21.4	
Maruti	Return on Equity (%)	15.8	14.6	13.2	16
Tata Motors		18.5	17.8	16.9	
Maruti	EPS (₹)	95.2	90.8	86.0	--
Tata Motors		78.4	73.2	70.1	

a) Evaluate the short-term liquidity position of Maruti Suzuki and Tata Motors using the Current Ratio and Cash Ratio. Which company is in a stronger position, and how do they compare with the industry average?

b) Analyze the Inventory Turnover Ratio and Asset Turnover Ratio for both companies and determine which company is managing its resources more efficiently.

c) Compare the solvency of Maruti Suzuki and Tata Motors and assess which company carries higher financial risk? Justify your answer with data.

d) Using the Gross Profit Margin, Return on Equity, and EPS, examine which company delivers stronger profitability and better returns to shareholders, across the years.

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

Cash Flows from Operating Activities of Epsilon Ltd and Gamma Ltd are below:

	Rs. Crores	
	Epsilon Ltd.	**Gamma Ltd.**
Cash From Operating Activities		
Profit Before Tax	105.00	135.00
Adjustments for non-cash and non-operating items		
Depreciation	27.00	31.50
Gain on sale of PPE	(37.50)	(8.50)
Interest on borrowed funds	1.20	1.50
Operating profit before working capital changes	**95.70**	**159.50**
Adjustments for changes in current assets and current liabilities that affect cash flows		
Increase in inventory	(2.85)	(0.99)
Decrease in trade receivables	0.30	0.86
Decrease in trade payables	(11.25)	(12.30)
Cash generated from operations	81.90	147.07
Tax Expenses	(3.75)	(5.60)
Net cash generated from or used in operating activities	**78.15**	**141.47**
Other Information		
Net Sales	675.00	840.00
Current Liabilities	48.00	97.50
Purchase of PPE	(12.75)	(4.05)

You are required to:

a) Determine relevant cash flow ratios of both the 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 the growth and expansion aspects.

c) Gamma Ltd. has accounting profits before tax that are 28.5% higher than those of Epsilon Ltd. But Gamma's cash flow from operating activities is 82.3% higher than Epsilon Ltd. Analyze the reasons for this gap.