



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIRST TRIMESTER (Batch 2018-20)

END TERM EXAMINATIONS, OCTOBER 2018

Course Name	Accounting Fundamentals	Course Code	FIN 101
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS: Attempt all questions.

Qs.1 (3 marks x 4 = 12 marks)

Use the data in the following table of financial ratios for ABC limited and answer the four questions given after the table.

Ratio	2013-14	2014-15	Industry Average
Current ratio	1.80	1.83	1.50
Acid-test ratio	1.47	1.51	1.06
Accounts receivable turnover	4.58	4.77	4.87
Inventory turnover	8.82	9.59	5.78
Operating profit margin	16.60%	17.40%	8.30%
Total assets turnover	1.13	1.23	1.18
Fixed assets turnover	3.46	3.80	4.26
Debt ratio	46.00%	45.00%	57.80%
Interest coverage ratio	15.0	15.67	3.93
Return on equity	20.70%	23.00%	12.30%

1. Comment on the liquidity position of ABC limited?
2. Is ABC limited generating adequate operating profits on the firm's assets?
3. How ABC limited is financing its assets?
4. Are the equity shareholders receiving good return on their investment?

Qs.2 (10 marks)

From the following data calculate:

- Cost of goods sold and ending inventory using LIFO, FIFO and average method for the sales of 255 units. (6 marks)
- Gross margin percentage (gross profit ratio) under LIFO and FIFO methods. Given selling price is Rs. 15 per unit. (2 marks)

Purchase Date	No. of Units	Cost per Unit
February 20	120	Rs. 11
April 21	100	Rs. 12
September 06	184	Rs. 13

What are implications of LIFO and FIFO costing methods on the reported earnings and tax liability of the enterprise. (2 marks)

Q3. (6 marks)

Comment on the following transactions on whether there is any violation and of which accounting concept.

- Mr ABC having Grocery shop took some Grocery from stock for personal use and recording it in sales and also paying fees for his children and showing them as staff welfare expense.
- Mr. Maharaja has purchased fax machine worth Rs 20000 which has life of 4 years and entire amount has been shown as office expense for the year.
- Mr Yogendra having electrical store has stock whose value as per cost record is Rs 75000 and has market value of Rs 50000. Mr Vikram has recorded the closing stock in Final accounts as Rs 50000.

Qs.4 (5+1+3+3 = 12 marks))

Read the attached Cash Flow Statement of Reliance Industries Limited and answer the given questions.

- Compare the cash flow statement between 2017-18 and 2016-17?
- What was the major source of cash in the year 2017-18 that resulted in net increase in cash?
- Does having negative cash flow under investing and financing activities will create problems in future and why?
- Comment on the company's ability to meet its long-term obligation. Long-term borrowings in 2017-18 were Rs 81,596 crore as compared to Rs 78,723 crore in 2016-17.

Cash Flow Statement

For the year ended 31st March, 2018

(₹ In crore)

	2017-18	2016-17
A: CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax as per Statement of Profit and Loss	45,725	40,777
Adjusted for:		
(Profit) / Loss on Sale / Discard of Property, Plant and Equipment (Net)	(8)	(504)
Depreciation / Amortisation and Depletion Expense	9,580	8,465
Effect of Exchange Rate Change	(1,903)	(2,062)
Net Gain on Financial Assets	(3,446)	(4,116)
Dividend Income	(935)	(271)
Interest Income	(3,586)	(3,535)
Finance Costs	4,656	2,723
Operating Profit before Working Capital Changes	50,083	41,477
Adjusted for:		
Trade and Other Receivables	(11,397)	(1,857)
Inventories	(5,550)	(5,984)
Trade and Other Payables	37,479	27,374
Cash Generated from Operations	70,615	61,010
Taxes Paid (Net)	(8,615)	(9,560)
Net Cash Flow from Operating Activities	62,000	51,450
B: CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment and Intangible Assets	(24,700)	(30,266)
Proceeds from disposal of Property, Plant and Equipment and Intangible Assets	75	1,452
Investments in Subsidiaries / Trusts	(34,973)	(66,498)
Disposal of Investments in Subsidiaries		26,461
Purchase of Other Investments	(4,99,789)	(6,09,377)
Proceeds from Sale of Financial Assets	5,04,318	6,19,551
Net Cash Flow for Other Financial Assets	(7,136)	1,304
Interest Income	2,162	2,153
Dividend Income from Associates	12	10
Dividend Income from Others	922	261
Net Cash Flow used in Investing Activities	(59,109)	(54,949)

Cash Flow Statement

For the year ended 31st March, 2018

(₹ In crore)

	2017-18	2016-17
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Equity Share Capital	125	692
Share Application Money	15	4
Proceeds from Borrowing - Non Current	28,328	10,065
Repayment of Borrowing - Non Current	(11,344)	(15,329)
Borrowing - Current (Net)	(7,855)	8,284
Dividends Paid (including Dividend Distribution Tax)	(3,916)	-
Interest Paid	(7,267)	(5,355)
Net Cash Flow used in Financing Activities	(1,914)	(1,639)
Net Increase/(Decrease) in Cash and Cash Equivalents	977	(5,138)
Opening Balance of Cash and Cash Equivalents	1,754	6,892
Closing Balance of Cash and Cash Equivalents* (Refer Note 8)	2,731	1,754

* Include towards Unclaimed Dividend of ₹ 259 crore (Previous Year ₹ 241 crore)