



JAIPURIA INSTITUTE OF MANAGEMENT

PGDM G/M/SM

FIRST TRIMESTER (BATCH 2016-18)

END TERM EXAMINATIONS

Course Name	ACCOUNTING FOR DECISION MAKING	Course Code	FIN 101
Max. Time	Two Hours	Max. Marks	40

*Answer all questions.*

Q.1) Beta Limited has, for both accounting and tax purposes, profit before depreciation and income tax of Rs. 80,00,000 each year (April-March) for the accounting years 2013-14, 2014-15 and 2015-16. On April, 2013, it purchased a computer for Rs. 15,00,000. The computer has an estimated useful life of three years with no salvage value. Income tax depreciation rate on computers is 100%. Beta Limited uses straight line method of depreciation for financial reporting purposes. The corporate tax (Income-tax) rate is 30%. Show the accounting profit and taxable profit of Beta Limited for each of the three years (2012-13, 2013-14 and 2014-15). (4+4 marks)

Q.2) The following information is obtained from the financial records of Vega Limited and Kappa Limited for the accounting year ended March 31, 2016.

	Vega Limited	Kappa Limited
Net Sales (Rs. Crores)	500	500
Profit Before Interest and Tax (Rs. Crores)	100	100
Total Assets (Rs. Crores)	400	400
Interest (Rs. Crores)	0	30
Debt-Equity Ratio	0	1:1
Tax Rate	20%	20%

- What is the Return on Equity (ROE) of Vega Limited and Kappa Limited for the accounting year ended March 31, 2016?
- Decompose the ROE of Vega Limited and Kappa Limited for the year ended March 31, 2016 into Net profit margin, Asset TO and Leverage using DuPont Analysis comment on ROE of both companies? (2+6)

Q.3) The cash flow data of Rho Limited for the year ended March 31, 2015, are as follows:

	Amount (Rs. Crores)
Cash Payment of Dividend	350
Purchase of Land	140
Cash Payments for Interest	100
Cash Payments for Salaries	450
Sale of Equipment	380
Buy Back of Equity Shares	250
Purchase of Equipment	300
Cash Collection from Customers	2500
Cash Balance on April 1, 2014	500

- Prepare a Statement of Cash Flows for Rho Limited for the accounting year ended March 31, 2015 showing:
  - Net cash provided by operating activities.
  - Net cash provided by or used in investing activities.
  - Net cash provided by or used in financing activities.
- What is the balance of cash of Rho Limited as on March 31, 2015.
- Discuss, from an analyst's viewpoint, the purpose of classifying cash flows into three categories listed above. [4+2+4=10]

Q.4) The following information is obtained from the financial records of Alpha Limited on March 31, 2015.

Share Capital (1000 crores shares of Rs. 10 each fully paid up)	Rs. 10,000 Crores
Free Reserves	Rs. 50,000 Crores
Share Premium	Rs. 8,000 Crores
Other Reserves	Rs. 2,000 Crores
Total Reserves and Surpluses	Rs. 60,000 Crores
Net Profit after Taxes (Equity Earning)	Rs. 6,000 Crores

On March 1, 2015 Alpha Limited declares issue of bonus shares and announces bonus ratio of 1:2 distributable on April 1, 2015 to shareholders in the company's record on March 1, 2015.

- What is the number of outstanding shares of Alpha Limited after the bonus issue? Has the number of outstanding shares of Alpha Limited after the bonus issue increased, decreased or remained the same? Explain.
- What is the earning per share of Alpha Limited after the bonus issue? Has the earning per share of Alpha Limited after the bonus issue increased, decreased or remained the same? Explain.

(4+4)

Q.5) The following information is obtained from the financial records of Theta Limited for the month August, 2016.

Date		Units	Unit Cost
Aug 1	Beginning Inventory	2000	Rs. 100
9	Purchases	2500	102
14	Purchases	2500	105
23	Purchases	4000	108
28	Purchases	4000	110
	Units Sold (during July)	13,000	
	Selling Price per unit	Rs. 120	

- The company uses the periodic inventory system. Compute the gross profit earned by Theta Limited during the month of August, 2015 as per the following methods of valuing inventories (i) First-in, First-out (FIFO); (ii) Weighted-average Cost (WAC).
- Compute inventory turnover ratio of Theta limited for the month of August, 2015 under each the above mentioned methods of valuing inventories. Interpret the results. (3+3)