

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIRST TRIMESTER (Batch 2020-22)
END-TERM EXAMINATIONS, OCTOBER 2020
Set-I

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

INSTRUCTIONS: All questions are compulsory. Questions are to be attempted on MS-Excel with separate sheet number for each question.

Q.1 APPLY relevant accounting concepts to explain if there is/is not any violation of accounting concepts/conventions. **(1 x 5 = 5 Marks)**

- Mr Rajesh having readymade garments shop took some shirts from stock for personal use and recording it in sales and also paying fees for his children and showing them as staff welfare expense
- Vikram has not paid salary of his employees for the month of March by 31st March 2020 and hence has not shown as an expense for the year 2019-20
- Raj has purchased fax machine worth Rs 30000 which has life of 5 years and entire amount has been shown as office expense for the year
- Mr Vikram 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
- Mr. Pumbani, Managing Director of Multibillion dollar company died and because of which company might have to suffer huge financial setback and thus it need to be recorded in books of account

Q.2 The Trial Balance of Western Chemicals Ltd. is given below:

(6+7 = 13 Marks)

Trial Balance as on 31st March 2015

Accounts	Debit (Rs.)	Credit(Rs.)
Capital		20000
Trade payables		2400
Sales		32800
Purchases	20600	
Trade Receivable	4800	
Plant & Machinery	7600	
Wages	10000	
Bank	3600	
Opening Stock	4000	
Factory expenses	1600	
Office rent	800	
Salary	2200	
	55200	55200

Additional information:

- Closing stock was valued at Rs. 2900.
- Provide for depreciation on Plant & Machinery Rs.800
- Rs.2000 received in advance from a customer.
- Rent Rs.2000 paid in advance.
- Wages Rs.1000 due but not paid.

PREPARE statement of profit & loss and balance sheet as per the format prescribed under schedule III of Companies Act 2013 (Vertical format).

Q.3 EasyJet is a popular low cost airline. It is based in London Luton Airport and provides cheap ‘no-frills’ flights to a wide range of European destinations. Since the company was launched by Sir Stelios Haji-Ioannou in 1995 it has grown from strength to strength. Some of the key business highlights for 2017 were as follows:

- Record profit before tax of £129 million, up 56 per cent from £83 million in 2016.
- Passenger numbers rose by 11.5 per cent to 33 million.
- Passenger revenues increased by 5.9 per cent or £2.13 per seat, driven by strong summer trading.
- Additional revenues improved significantly in all areas, rising by 34 per cent or £0.86 per seat.
- Unit costs excluding fuel fell by 1.5 per cent or £0.42 per seat from £28.78 to £28.36.
- Unit fuel costs increased by 33 per cent to £2.48 per seat.
- 58 new routes and 11 new destinations were launched, expanding the network to 262 routes and 74 airports in 21 countries.
- The fleet grew to 122 aircraft with an average of 2.2 year, making it one of the most modern and environmentally friendly fleets in Europe.
- The balance sheet remains strong with cash of £861 million and leverage at 31 per cent.

The table below shows some financial information for EasyJet extracted from the income statement and balance sheet in 2017.

	2017 £ million	2016 £ million
Revenue	1619.7	1314.4
Profit (EBIT)	117.8	66.2
Capital Employed	1614.6	1215.3
Net Assets	982.9	863.4
Current Assets	1087.2	890.9
Current Liabilities	509	414.5

1. Explain how ratio analysis can be used to interpret accounts from the perspective of two stakeholders. (3)
2. According to the key business highlights, leverage for EasyJet was 31 per cent in 2017. Interpret this figure. (2)
3. Compute the following financial ratios for 2017 and 2016: i. Profit margin ii. Current ratio iii. Return on capital employed (ROCE). (4)
4. To what extent do the results in Question 3 support the view that EasyJet has “grown from strength to strength”? (3)

Q.4

(4+4+2 =10 Marks)

Refer to the Cash Flow Statement of ITC Ltd. and answer the following questions:

1. The cash flow generated from operations has declined in the current year as compared to the previous year in spite of the increase in profit before tax. Analyze the reasons for the same.
2. Evaluate cash flows under investing and financing activities.
3. Comment in brief on the overall cash flow position of the firm from the perspective of a shareholder/investor and lender.

Cash Flow Statement for the year ended 31st March, 2019

	For the year ended 31st March, 2019 (₹ in Crores)	For the year ended 31st March, 2018 (₹ in Crores)
A. Cash Flow from Operating Activities		
PROFIT BEFORE TAX	18444.16	16851.70
ADJUSTMENTS FOR:		
Depreciation and amortization expense	1311.70	1145.37
Share based payments to employees	232.89	349.28
Finance costs	34.19	86.65
Interest Income	(1242.62)	(917.80)
Dividend Income	(415.90)	(409.79)
Loss on sale of property, plant and equipment - Net	102.11	14.48
Doubtful and bad debts	21.65	25.14
Doubtful and bad advances, loans and deposits	5.30	3.74
Impairment of investment in joint venture	-	23.45
Net gain recognised on disposal of subsidiary	(9.40)	(9.61)
Net (gain)/loss arising on investments mandatorily measured at fair value through profit or loss	(751.79)	(716.81)
Foreign currency translations and transactions - Net	2.30 (709.57)	4.46 (401.44)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	17734.59	16450.26
ADJUSTMENTS FOR:		
Trade receivables, loans, advances and other assets	(698.70)	(784.11)
Inventories	(350.09)	626.84
Trade payables, other liabilities and provisions	549.13 (499.66)	2077.43 1920.16
CASH GENERATED FROM OPERATIONS	17234.93	18370.42
Income tax paid	(5485.88)	(5719.57)
NET CASH FROM OPERATING ACTIVITIES	11749.05	12650.85
B. Cash Flow from Investing Activities		
Purchase of property, plant and equipment, Intangibles etc.	(2768.64)	(2619.04)
Sale of property, plant and equipment	9.16	71.23
Purchase of current investments	(86963.22)	(89843.68)
Sale/redemption of current investments	88535.08	91080.09
Investment in subsidiaries	(426.48)	(224.19)
Purchase of non-current investments	(3404.69)	(4713.31)
Proceeds on disposal of subsidiary	17.75	17.53
Redemption proceeds of long-term investments	300.29	-
Dividend Income	415.90	409.79
Interest received	1112.91	691.40
Investment in bank deposits (original maturity more than 3 months)	(4527.30)	(3920.32)
Redemption/maturity of bank deposits (original maturity more than 3 months)	2928.78	2997.48
Investment in deposit with housing finance companies	(848.03)	(1135.88)
Redemption/maturity of deposit with housing finance companies	536.42	500.00
Loans given	(5.35)	(7.52)
Loans realised	5.67	5.18
NET CASH USED IN INVESTING ACTIVITIES	(5081.75)	(6691.24)

Cash Flow Statement for the year ended 31st March, 2019

	For the year ended 31st March, 2019 (₹ in Crores)	For the year ended 31st March, 2018 (₹ in Crores)
C. Cash Flow from Financing Activities		
Proceeds from issue of share capital	969.13	912.79
Repayment of non-current borrowings	(6.87)	(7.84)
Interest paid	(86.68)	(45.32)
Net increase in statutory restricted accounts balances	10.75	0.77
Dividend paid	(6285.21)	(5770.01)
Income tax on dividend paid	(1201.69)	(1110.24)
NET CASH USED IN FINANCING ACTIVITIES	(6600.57)	(6019.85)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	66.73	(60.24)
OPENING CASH AND CASH EQUIVALENTS	96.02	156.26
CLOSING CASH AND CASH EQUIVALENTS	162.75	96.02

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Ind AS – 7 "Statement of Cash Flows"
- CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents as above	162.75	96.02
Unrealised gain/(loss) on foreign currency cash and cash equivalents	<u>(0.04)</u>	<u>0.01</u>
Cash and cash equivalents (Note 11)	<u>162.71</u>	<u>96.03</u>

The accompanying notes 1 to 30 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

P. R. RAMESH
Partner
Gurugram, 13th May, 2019

On behalf of the Board

S. PURI
R. TANDON
R. K. SINGHI

Chairman & Managing Director
Director & Chief Financial Officer
Company Secretary

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIRST TRIMESTER (Batch 2020-22)
END-TERM EXAMINATIONS, OCTOBER 2020
Set-II

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

INSTRUCTIONS: Answer all questions. Questions are to be attempted on MS-Excel with separate sheet number for each question.

Q.1 APPLY relevant accounting concepts to explain if there is/is not any violation of accounting concepts/conventions. (5 marks)

- Company recognized as sales Rs. 25000, the payment of which was doubtful.
- Revenues of Rs. 50,000 earned in the prior year recorded in the current year.
- A company receives Rs. 2,000 for a service to be performed and records it as service revenue.
- XYZ's CEO purchased a yacht for personal use and charged it to the company.
- Company changes its depreciation method from SLM to WDV and does not mention the same in its financial statements.

Q.2 During the first week of July 2015, Mohita set up a stock-broking business called Mohita Securities Ltd.. From the company's cash book, she has prepared the following profit and loss account for the year ended June 2016. (10+5 = 15 Marks)

Revenues	
Broking commission earned	INR 24,630
Expenses	
Salaries Expense	INR 6,400
Electricity Expense	720
Telephone Expense	910
Rent Expense	4,400
Total Expenses	12,430

Net Profit (EBIT) 12,200

Mohita believes that the business has done well in the first year of its operations and plans to pay a dividend of Rs. 3,000. Later, she comes across following information which was not available to her earlier:

- Rent of Rs. 400 for June has not been paid.
- Salaries of Rs. 340 for the last week of June are yet to be paid.
- Interest payable on a bank loan of Rs. 20,000 taken on March 1 2016 at 15% per annum was not paid.
- Office supplies costing Rs. 1,430 were purchased on July 1, 2015. The inventory of office supplies on June 2016 was Rs. 680.
- Depreciation of Rs. 3,600 on computer has been overlooked.
- The company provided services for Rs. 910 for which customers were yet to be billed.
- Income tax is at 50% of the profit before tax payable for the year.

Required:

- Construct a revised P&L account for the year. (10 marks)
- Comment on the company's performance and advise the company on its proposal to pay the dividend. (5 marks)

Q.3 RATIOS for Honeywell Corp.

	1997	1996	Industry Median
LIQUIDITY RATIOS			

Current Ratio	1.06	1.06	1.3
Quick Ratio	0.27	0.43	0.7
LEVERAGE RATIOS			
Debt/Asset	0.83	0.8	
Debt/Equity	4.73	4	1.9
Equity/Asset	0.17	0.2	
REPAYMENT CAPACITY			
Times Interest Earned	1.35	1.29	2.5
Debt Service Ratio	0.17	0.15	
EFFICIENCY RATIOS			
Inventory Turnover	6.26	7.42	7.7
Asset Turnover	3.92	3.82	3.2
Average Collection Period	10.95	15.75	32
Average Payment Period	52.14	42.77	29
PROFITABILITY RATIOS			
Margin	0.26%	0.19%	1.03%
Return on Assets	1.00%	0.71%	3.30%
Return on Equity	5.35%	3.59%	10.70%

Analyze the liquidity, profitability, efficiency and solvency of Honeywell Corp. from the given ratios. (10 marks)

Q.4 Q1. Meredith Snelson started Campus Pizzeria, Inc., on August 1. Snelson was the sole owner of the corporation. The following transactions took place in August. Show the effect of the transactions on Accounting Equation for Pizzeria, Inc. for the month of August. (10 marks)

1. August 1, Snelson invested \$5,000 in the business as owner.
2. Equipment costing \$7,200 was purchased for cash.
3. An initial inventory of Pizza ingredients and boxes was purchased on credit for \$800.
4. In August, Pizza sales were \$12,000, all for cash.
5. On August 13, the firm catered a party for a fee of \$200. Because the customer was a friend of Snelson, the customer was told that payment could be made later in the month.