

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIRST TRIMESTER (Batch 2019-21)
END-TERM EXAMINATIONS, SEPTEMBER 2019
Set-I

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

INSTRUCTIONS: All questions are compulsory.

Q.1 APPLY relevant accounting concepts to explain if there is/is not any violation of accounting concepts/conventions. **(2 x 4 = 8 Marks)**

- On 25th March 2019, Ram the accountant of the firm sent a cheque for Rs.50000 to the Electricity Department. This was to cover the payment of electricity expense for the next FY 2019-20. Ram decided not to record this payment as expense in the current FY 2018-19.
- The company purchased furniture for Rs 1 lakh and recorded the same as expense in the current year.
- Company received an advance from its customer and recorded the same as revenue from operations.
- The company purchased a new computer for Rs.50000. However, two months after the purchase, the accountant noticed that the same computer was available in the market for Rs.24000 and decided to record at this value.

Q.2 The Trial Balance of the Zenith Textiles Ltd. is given below:

(6+6 = 12 Marks)

ZENITH TEXTILES LTD. LTD.		
Trial balance (March 31, 2017)		
	Debit (Rs)	Credit (Rs)
Equity Share Capital		1,30,00,000
Long-term Borrowing		50,00,000
Property, Plant & Equipment	2,65,00,000	
Capital Work-in-Progress	70,00,000	
Other Equity		2,00,00,000
Deferred Tax Liabilities (Net)		5,00,000
Other Non-Current Liabilities		10,00,000
Intangible Assets	60,00,000	
Long-term Investments	5,00,000	
Trade Receivables	10,00,000	
Cash and cash equivalents	30,00,000	
Trade Payables		1,00,000
Short-term Investments	1,00,000	
Net Sales		1,38,00,000
Cost of Material Consumed	50,00,000	
Employee Benefit Expense	25,00,000	
Other Expenses	5,00,000	
Finance cost	5,00,000	
Depreciation & Amortization	13,00,000	
Changes in Inventories of Finished Goods & W-I-P	(5,00,000)	
	5,34,00,000	5,34,00,000

The following additional information is available:

- Depreciation Rs 1,00,000 to be provided on property, plant & equipment.
- Salaries Rs 1,00,000 have not been paid.

(c) Create provision for tax @ 30% of profit before tax.
PREPARE statement of profit & loss and balance sheet as per the format prescribed under schedule III of Companies Act 2013 (Vertical format).

Q3. EXPLAIN the effect of the following transactions on the Accounting Equation and related accounts.
(5Marks)

- On December 1, 2018, Mr X invests personal funds of Rs 10,000 to start ABC Ltd.
- On December 2, 2018 ,Mr X withdraws Rs 1000 of cash from the business for his personal use.
- On December 5, 2018 , ABC pays Rs 600 for advertising.
- On December 6, 2018 , ABC performs consulting services for its clients. The clients are billed for the agreed upon amount of Rs 900. The amounts are due in 30 days.
- On December 8, 2018, ABC receives Rs 500 from the clients it had billed on December 6, 2018.

Q4 Considering the ratios of Alpha Ltd, ANALYZE and comment on the performance of the company.

(8 Marks)

Alpha Ltd		
	Mar '19	Mar '18
Gross Profit Margin(%)	8.91	9.74
Operating Profit Margin(%)	12.38	12.78
Net Profit Margin(%)	8.94	8.94
Return On Capital Employed(%)	17.62	17.43
Current Ratio	1.08	1.06
Quick Ratio	0.9	0.92
Debt Equity Ratio	0.07	0.09
Interest Coverage Ratios	57.04	51.52
Inventory Turnover Ratio	13.96	18.3
Debtors Turnover Ratio	15.06	15.93
Fixed Assets Turnover Ratio	3.34	3.44
Total Assets Turnover Ratio	1.57	1.53

Q.5

(3+2+2 =7 Marks)

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

1. Assess and comment on the company's operating cash flows.
2. Estimate and Evaluate free cash flows of the company.
3. Comment on the cash flow position of the firm in the context of future debt repayments.

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

(₹ in Crores)

	Year 2018-19	Year 2017-18
(A) Cash Flow From Operating Activities		
Profit before tax	3,174.57	2,865.83
Adjustments for:		
Depreciation and amortisation expense	382.18	311.11
Interest income	(24.49)	(25.54)
Dividend income	(45.60)	(42.66)
Finance costs	30.01	21.06
Allowance for doubtful debts and advances	4.43	4.84
Bad debts written off	2.53	3.85
Deferred income arising from government grant	(1.09)	(1.05)
Net unrealised foreign exchange (gain)	(9.11)	(9.26)
(Gain)/Loss on sale of property, plant and equipment (net)	(13.91)	2.91
Net gain arising on financial assets measured at fair value through profit or loss (FVTPL)	(52.76)	(49.60)
Operating Profit before working capital changes	3,446.76	3,081.49
Adjustments for :		
(Increase) in trade receivables	(114.38)	(149.65)
(Increase) in financial assets	(76.51)	(46.93)
(Increase)/Decrease in inventories	(406.67)	15.66
Decrease/(Increase) in other assets	66.64	(160.18)
Increase in trade and other payables	173.82	365.00
Increase in provisions	8.32	16.44
Cash generated from Operating activities	3,097.98	3,121.83
Income Tax paid (net of refund)	(913.84)	(985.74)
Net Cash generated from Operating activities	2,184.14	2,136.09
(B) Cash Flow from Investing Activities		
Purchase of Property, plant and equipment	(1,067.26)	(1,358.32)
Sale of Property, plant and equipment	15.00	9.37
Loan to subsidiary (net)	(1.65)	-
Purchase of non-current investments - Subsidiaries	-	(211.55)
Purchase of non-current investments - others	(325.00)	(54.00)
Sale of non-current investments	363.42	195.68
Purchase of term deposits	(414.00)	(581.00)
Proceeds from maturity of term deposits	414.00	666.00
Sale/(Purchase) of current investments (net)	121.72	(99.39)
Interest received	33.12	19.59
Dividend received from subsidiaries	7.11	6.10
Dividend received from others	38.49	36.56
Net Cash (used in) Investing activities	(815.05)	(1,370.96)
(C) Cash Flow from Financing Activities		
Repayment of non-current borrowings	(1.42)	(1.98)
Acceptances (net)	153.88	(32.08)
Finance costs paid	(25.79)	(20.16)
Dividend and Dividend tax paid	(1,022.47)	(1,184.83)
Net Cash (used in) Financing activities	(895.80)	(1,239.05)

Cash Flow Statement for the year ended 31st March, 2019 (Contd.)

	(₹ in Crores)	
	Year 2018-19	Year 2017-18
(D) Net Increase/(Decrease) in cash and cash equivalents [A+B+C]	473.29	(473.92)
Add: Cash and cash equivalents as at 1 st April	683.07	1,156.99
Cash and cash equivalents as at 31st March	1,156.36	683.07

Note:

- (a) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - Statement of Cash Flow.

	(₹ in Crores)	
	As at 31.03.2019	As at 31.03.2018
(b) Cash and Cash Equivalents comprises of		
Cash on hand	0.03	0.02
Balances with Banks:		
- Current Accounts	1.11	12.76
- Cash Credit Account	1.76	1.98
- Deposit with bank with maturity less than 3 months	52.02	25.12
Cheques, draft on hand	43.41	66.82
Cash and cash equivalents (Refer note 11A)	98.33	106.70
Add: Investment in liquid mutual funds [Refer note 4(II)(ii)]	1,062.38	576.37
Bank Overdraft (Refer note 15)	(4.35)	-
Cash and cash equivalents in Cash Flow Statement	1,156.36	683.07

As per our report of even date attached

For and on behalf of the Board of Directors of
Asian Paints Limited
CIN:L24220MH1945PLC004598

For Deloitte Haskins & Sells LLP
Chartered Accountants
FR.N: 117366W/W-100018
Shyamak R Tata
Partner
Membership No: 038320
Place : Mumbai
Dated : 9th May, 2019

Ashwin Dani
Chairman
DIN:00009126
M.K. Sharma
Chairman of Audit Committee
DIN:00327684
Place : Mumbai
Dated : 9th May, 2019

K.B.S. Anand
Managing Director & CEO
DIN:03518282
Jayesh Merchant
CFO & Company Secretary,
President - Industrial JVs