PGDM 2022-24

Financial Accounting

DM 104

Trimester – I, End-Term Examination: September, 2022

Time allowed: 2 Hrs. (120 Minutes)
Max Marks: 40

Roll No: ____________

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** There is internal choice in a few questions of Section A. Question of Section B are compulsory.

Sec A: Total 20 Marks: All questions are of 5 Marks each

Q1. Identify and explain the accounting principles in any two of the below mentioned business situations (**2.5 Marks each*2 = 5 Marks)**

a) Eicher Motors produced some tractors which, due to heavy rains and water logging in the parking yard, have become defective. The company has been able to find out the buyer for these 'defective' inventory units at a price lower by 30% to its cost. The sale will take place next year. The company is confused about the balance sheet value for the current year.

b) Mr Manan Ambani owns a house 'Antarctica, in Marine Drive of Mumbai. Out of the dividends received from the his newly launched telecom business, he has made the payment for a whopping Rs. 250 crores as an insurance premium for this house. The telecom business does not show this house in its balance sheet.

c) P.D. Chandra Jeweler received an order to supply gold ornaments worth Rs.50,00,000. They supplied ornaments worth Rs.20,00,000 up to the year ending 31st December 2021 and rest of the ornaments, that were to be supplied in January 2022, were not recognized in the income statement of the year 2021.

(CO: 1) (5 Marks)

Q2a In pricing the petrol sold, service station X follows FIFO while service station Y follows LIFO. On April 1st 2022, both had the same quantity of petrol in stock, viz. 8,000 litres at Rs 95 per litre. During the month of April 2022, each station purchased additional supplies of 3,000 litres at Rs 96 per litre. Sales for each of these stations during the month were 10,000 liters at Rs 97 per litre.
Required Calculate the gross profit margin made by the two service stations for the month of April 2022. Also highlight the difference in the cash flow from operations of the two service stations.

(CO: 2) (5 Marks)

OR

Q2b On 1st April 2020, Akshay Ltd. purchased a second-hand machine for Rs 80,00,000 and spent Rs 2,00,000 on its cartage, repairs and installation. On 30th Sept. 2021 Repairs & Renewals amounted to Rs. 1,00,000. On 30th Sept. 2022, this machine is sold for Rs 50,00,000. Depreciation is to be provided @ 20% p.a. according to Written Down Value Method.

Required: Calculate depreciation for the first three years assuming that the accounts are closed on 31st March each year. Also calculate profit or loss on sale of Machine. **(CO: 2) (5 Marks)**

Q3a.

SKS Microfinance Limited
Statement of Profit and Loss for the year ended March 2021

Particular	Rs.in millions
Income:	
Revenue from operations	?
Other Income	791
Total revenue (I)	**8,031**
Expenses:	
Employee benefit expenses	2,319
Finance costs	2,790
Other expenses	840
Depreciation and amortization expenses	?
Provisions and write-offs	100
Total expenses (II)	?
Profit before tax	**1,934**
Less: Tax expenses	?
Profit after taX	**1,877**

Source: BSE India: SKS Microfinance Limited Annual Reports, BSE India

Required:
(a) Fill the blank figures (marked '?' in the table above).
(b) What is the biggest expense for this organization?
(c) Give examples of items in "Other expenses" and "Other income" for SKS Microfinance?
(d) It was known that in FY 2021, the earning per equity share of SKS Microfinance was 15.22 Calculate approximate unit of equity share for SKS Microfinance (in share capital) during FY 2021. **(CO 2: 5 Marks)**

OR

Q3b. Prepare a balance sheet as of June 30, for the J.L. Gregory Company using the following data:

	$		$
Account Payable	241,000	Cash	. 89,000
Account receivable	505,000	Equipment (at cost)	761,000
Accrued expenses	107,000	Estimated tax liability	125,000
Accumulated depreciation on building	538,000	Inventories	513,000
Accumulated depreciation on equipment	386,000	Investment in the peer less Company	320,000
Bonds payable	700,000	Land (at cost)	230,000
Buildings (at cost)	1,12,0,000	Marketable securities	379,000
Capital stock	1,000,000	Notes Payable	200,000
		Retained earnings	?

(CO 2: 5 Marks)

Q4a.'ESG reporting is different from normal business reporting' Explain the statement in the light of different components of ESG. Also explain how "Triple Bottom Line reporting" makes a company realise its responsibility towards ecology and society.

(CO: 2) (5 Marks)

OR

Q4b. After 5 years into operation, DLF Mall in Noida is renovated by constructing a food court and gaming zone so as to increase the footfall in the mall. The food court and gaming zone are expected to result in a significant increase in sales for the shops and outlets of the mall. Whether this cost of construction of food court and gaming zone should be capitalised as Property, Plant and Equipment (PPE) or expensed off in the Statement of Profit and Loss. Logically explain your reason.

(CO: 2) (5 Marks)

Sec B: Total 20 Marks: Compulsory

Q5a. In a meeting held at Solan towards the end of 2019-20, the Directors of HPCL Ltd. have taken a decision to diversify. At present HPCL Ltd. sells all finished goods from its own warehouse. The company issued debentures on 01.04.2020 and purchased fixed assets on the same day. The purchase prices have remained stable during the concerned period. Following information is provided to you:

INCOME STATEMENT

Particulars	**2019-20 (Rs)**		**2020-21 (Rs)**	
Cash Sales	30,000		32,000	
Credit Sales	2,70,000	3,00,000	3,42,000	3,74,000
Less: Cost of goods sold		2,36,000		2,98,000
Gross profit		64,000		76,000
Less: Operating Expenses:				
Warehousing	13,000		14,000	
Transport	6,000		10,000	
Administrative	19,000		19,000	
Selling/Distribution	11,000	49,000	14,000	57,000
Net Profit		15,000		19,000

BALANCE SHEET

Assets & Liabilities	2019-20 (Rs)		2020-21 (Rs)	
Fixed Assets (Net Block)	-	30,000	-	40,000
Receivables	50,000		82,000	
Cash at Bank	10,000		7,000	
Stock	60,000		94,000	
Total Current Assets (CA)	1,20,000		1,83,000	
Payables	50,000		76,000	
Total Current Liabilities (CL)	50,000		76,000	
Working Capital (CA - CL)		70,000		1,07,000
Net Assets		1,00,000		1,47,000
Represented by:				
Share Capital		75,000		75,000
Reserve and Surplus		25,000		42,000
Debentures		–		30,000
		1,00,000		1,47,000

Required Calculate the following ratios for the years 2019-20 and 2020-21:

(i) Gross Profit Margin

(ii) Operating Expenses to Sales

(iii) Operating Profit Ratio

(iv) Total Asset Turnover Ratio

(v) Stock Turnover Ratio

(vi) Net Profit to Net Worth Ratio

(vii) Receivables Collection Period

(viii) Debt to Equity

Ratio relating to capital employed should be based on the capital at the end of the year. Give the reasons for change in the ratios for 2 years. Assume opening stock of Rs` 40,000 for the year 2019-20. Ignore Taxation.

(CO 3: 10 Marks)

Q5b. XYZ Ltd. Company's Balance Sheet for 20X2 and the Company's Income Statement for the year is as follows:

Balance Sheet as at 31st December 20X2 (Rs in crore)

	Particulars	Note No.	20X2	20X1
I	Equity and Liabilities:			
(1)	Shareholders' funds			
	(a) Share Capital		140	140
	(b) Reserves and surplus		110	92
(2)	Non-current liabilities			
	(a) Long-term borrowings		135	40
(3)	Current liabilities			
	(a) Trade Payables		230	310
	(b) Other current liabilities		70	60
	(c) Provision for Taxation		15	8
	Total		700	650
II	Assets:			
(1)	Non-current assets			
	(a) Fixed Assets (tangible)			
	(i) Plant and equipment		430	309
	Less: Accumulated Depreciation		(218)	(194)
			212	115
	(b) Investment Property		60	75
(2)	Current Assets			
	(a) Inventories		205	160
	(b) Trade receivable		180	270
	(c) Cash and cash equivalents		26	10
	(d) Other Current Assets		17	20
			700	650

Income Statement (extract) as at 31st December 20X2

(Rs in crore)

Sales	1,000
Less: Cost of goods sold	(530)
Gross margin	470
Less: Operating expenses	(352)
Net operating income	118
Non-operating items:	
Loss on sale of equipment	(4)
Profit before taxes	114
Less: Provision for income-taxes	(48)
Net Profit	66

Required: You are required to calculate the following

1. Cash collection from the customers
2. Cash payment to suppliers
3. Cash income tax paid
4. Cash flows from/to the debt holders

(CO 2: 10 Marks)