

PGDM-IB, 2022-24
Financial Accounting
IB-103
Trimester – I, End-Term Examination: September 2022

Time allowed: 2 Hours
Max Marks: 40

Roll No. _____

Instruction: Students are required to write Roll No on every page of the question paper. All instructions on the reverse of the admit card should be followed meticulously.

SECTION A – (5 marks * 4 questions) = 20 Marks

A1a (CO1)

“Accounting standards guide reporting companies to maintain stability and trust even in dynamic and often unpredictable economic & legal environment”. Comment.

OR

A1b (CO1)

“Financial statement analysis is an important and integral part of business analysis. Business analysis is applied in many forms to improve business decisions by evaluating available information about a company’s financial situation, its management, its plans and strategies, and its business environment”. Comment.

A2a (CO2)

On 1st April 2018, Infosys Ltd. purchased machinery for ₹1,00,000. The estimated useful life of the machine is four years. The depreciation was charged using the Straight-line Method. However, after two years, from 1st April 2020 onwards, Infosys Ltd. decided to change the method of depreciation from the straight-line method to the written down value method @10%. You are required to calculate depreciation for the third & fourth year. Also prepare Machinery A/c & Depreciation A/c.

OR

A2b (CO2)

Using the following financial data of Innovative Retail Concepts Private Limited, construct a statement of cash flows:

Cash Flow Statement For the Year	2021	2020
Cash	4,000	14,000
Accounts receivable	25,000	32,500
Prepaid insurance	5,000	7,000
Inventory	37,000	34,000
Fixed assets	3,16,000	2,70,000
Accumulated Depreciation	(45,000)	(30,000)
Total assets	3,42,000	3,27,500
Accounts payable	18,000	16,000
Wages payable	4,000	7,000

Note payable	1,73,000	1,60,000
Capital stock	88,000	84,000
Retained earnings	59,000	60,500
Total Liabilities & Equity	3,42,000	3,27,500
Sales	2,00,000	
Cost of goods sold	(1,23,000)	
Depreciation expense	(15,000)	
Insurance expense	(11,000)	
Wage Expense	(50,000)	
Net Income	1,000	

In 2021, Innovative Retail Concepts Private Limited declared and paid dividends of Rs. 2,500 and paid Rs. 46,000 in cash to acquire new fixed assets. The accounts payable was used only for inventory. No debt was retired during 2021.

A3a (CO3)

The Balance Sheet of Grasim Industries Limited as of 31-12-2021 was as follows:

Particular	Rs.	Particular	Rs.
Equity Share	40,000	Plant and Machinery	24,000
Capital	8,000	Land and Buildings	40,000
Reserve	32,000	Furniture & Fixtures	16,000
8% Loan on Mortgage	16,000	Stock	12,000
Creditors	4,000	Debtors	12,000
Bank overdraft		Investments (Short-term)	4,000
Taxation:		Cash in hand	12,000
Current	4,000		
Future	4,000		
Profit and Loss A/c	12,000		
	<u>1,20,000</u>		<u>1,20,000</u>

From the above, Compute and comment on

- Current Ratio
- Quick Ratio
- Debt-Equity Ratio
- Proprietary Ratio

OR

A3b (CO3)

From the following information of Bharat Petroleum,

Revenue from Operations Rs. 8,75,000

Creditors Rs. 90,000

Bills receivable Rs. 48,000

Bills payable Rs. 52,000

Purchases Rs. 4,20,000

Trade debtors Rs. 59,000

Compute and comment on

- Trade receivables turnover ratio
- Average collection period
- Trade payable turnover ratio
- Average payment period

A4a (CO4)

Explain the role of corporates in sustainability. Also discuss the benefits of an environmentally sustainable firm?

OR

A4b (CO4)

What are various ESG risks. Discuss their mitigation tools.

SECTION B – CASE STUDY (10 marks * 2 questions = 20 Marks) (CO 1, 2, 3)

Following information are available for Sulzer India (Indian Rupee in Crores) along with various ratio relevant to the particulars industry it belongs to.

APPRAISE your comments on

A). Strengths

B). Weakness of Navya Ltd. comparing its ratios with the given industry norms.

**P&L A/C FOR THE YEAR ENDING
31.3.2022**

Particulars	Amount (Rs.)	Amount (Rs.)
Sales		1,10,00,000
Less: Cost of goods sold:	-	-
Material	41,80,000	-
Wages	26,40,000	-
Factory Overhead	12,98,000	81,18,000
Gross Profit	-	28,82,000
Less: Selling and Distribution Cost	11,00,000	-
Administrative Cost	12,28,000	23,28,000
Earnings before Interest and Taxes	-	5,54,000
Less: Interest Charges	-	92,000
Earning before Tax	-	4,62,000
Less: Taxes & 50%	-	2,31,000
Net Profit (PAT)		2,31,000

**BALANCE SHEET AS ON
31.3.2022**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital	48,00,000	Fixed Assets	24,20,000
10% Debentures	9,20,000	Cash	8,80,000
Sundry Creditors	6,60,000	Sundry debtors	11,00,000

Bills Payable	8,80,000	Stock	33,00,000
Other current Liabilities	4,40,000		-
Total	77,00,000	Total	77,00,000

INDUSTRY NORMS

Ratios	Norm
Current Assets/Current Liabilities	2.5:1
Sales/debtors	8.0
Sales/Stock	9.0
Sales/Total Assets	2.0
Net Profit/Sales	3.5%
Net profit/Total Assets	7.0%
Net Profit/Net Worth	10.5%
Total Debt/Total Assets	60.0%