

PGDM-IB, 2016-18

Financial Accounting

IB 103

Trimester – I, End-Term Examination: September 2016

Time Allowed: 2 Hrs 30 mins

Max Marks: 50

Sec A

(Answer any three questions out of five. Each question carries five marks)

1. What is the main purpose of Balance Sheet? What basic information does it communicate?
2. How does a Cash Flow Statement of a company may help investors, analysts, creditors, and managers in taking business decisions?
3. What are the financial numbers and ratios to be used and computed to find out "Gearing" of a company? What does "Gearing" of a company convey to us? Is positive gearing a good figure?
4. Discuss and inter-connect these ratios: Dividend per share, Earnings per share and Dividend per share.
5. Discuss the concepts of 'Business Entity' and 'Matching'.

Sec B

(Answer any two questions out of three. Each question carries ten marks)

6. Show the accounting equation on the basis of following transactions, and present a balance sheet on the basis of ending equation:

Sl No	Particulars	Amount (Rs.)
a)	Manjula commenced business with cash	1200000
b)	Purchased goods on credit from Ram	230000
c)	Purchased goods on cash	145000
d)	Withdrawn cash for personal use	50000
e)	Sold goods on credit to Shyam	25000
f)	Introduced fresh capital in cash	100000
e)	Paid wages	2000
f)	Paid to Ram	100000
g)	Sold goods on credit (Cost price – Rs. 10000)	15000
h)	Sold goods, for cash (Cost price – Rs. 3000)	6000
i)	Purchased furniture for cash	20000

(10 marks)

7. Hero Motocorp Ltd (HML) is a market leader in two wheeler manufacturing. Enclosed please find the Cash Flow Statement (2015-16) of HML.

You need to analyze the cash flow statement of HML using relevant ratios.
(10 marks)

8. Write short notes on the following: (2.5 marks x 4)

- a) Written down value (WDV) method of depreciation
- b) Accrual concept
- c) Amortization
- d) Money measurement concept

Sec C

(Compulsory)

9. Sukhlal is a budding financial analyst. He aspires to become next 'Warren Buffet' of India. One day he saw an advertisement of motorbikes in television and become interested about the company manufacturing it. After googling for few minutes, he discovered that the company is Hero Motocorp Ltd. (Hero). At first, he downloaded the Annual reports (2015-16) of Hero from website.

He wants to assess the financial health of Hero but not very sure about it. Please help Sukhlal by **calculating and analyzing** the following financial ratios from **attached financial statements of Hero Motocorp Limited (2014-15)**. The market value of equity of Hero on 31st March, 2015 is around INR 650 billion. Compute the relevant ratios for both 2014-15 and 2015-16.

- i) Du Pont Ratios
- ii) Liquidity Ratios, and
- iii) Solvency Ratios

(5 marks x 3)

BALANCE SHEET

AS AT MARCH 31, 2016

Particulars	Note No.	₹ in crores	
		As at March 31, 2016	As at March 31, 2015
I Equity and Liabilities			
1 Shareholders' funds			
(a) Share capital	3	39.94	39.94
(b) Reserves and surplus	4	7,904.81	6,501.39
2 Non - current liabilities			
(a) Long term liabilities	5	34.89	31.33
(b) Deferred tax liabilities (Net)	6	227.79	
(c) Long - term provisions	7	84.44	65.62
3 Current liabilities			
(a) Trade payables	8		
(i) Total outstandings dues of micro enterprises and small enterprises			
(ii) Total outstandings dues of creditors other than micro enterprises and small enterprises		2,766.88	2,700.03
(b) Other current liabilities	9	483.19	449.33
(c) Short - term provisions	10	798.75	734.06
Total		12,340.69	10,521.70
II Assets			
1 Non - current assets			
(a) Fixed assets	11		
(i) Tangible assets		3,717.85	2,818.29
(ii) Intangible assets		118.89	94.40
(iii) Capital work-in-progress		288.34	309.78
(iv) Intangible assets under development		317.06	402.77
(b) Non- current investments	12	1,019.36	863.78
(c) Deferred tax assets (Net)	6	-	73.54
(d) Long - term loans and advances	13	870.42	616.82
(e) Other non- current assets	14	73.68	60.19
2 Current assets			
(a) Current investments	12	3,247.01	2,290.33
(b) Inventories	15	672.98	815.49
(c) Trade receivables	16	1,282.80	1,389.59
(d) Cash and cash equivalents	17	131.36	159.25
(e) Short - term loans and advances	18	521.46	567.66
(f) Other current assets	19	79.48	59.81
Total		12,340.69	10,521.70

Accompanying notes forming part of the financial statements

1 to 43

128

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Jaideep Bhargava
Partner

New Delhi
May 5, 2016

For and on behalf of the Board of Directors

Pawan Munjal
Chairman, Managing Director & CEO
DIN- 00004223

Pradeep Dinodia
Chairman- Audit Committee
DIN- 00027995

Ravi Sud
Sr. Vice President & CFO

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Note No.	₹ in crores	
		For the year ended March 31, 2016	For the year ended March 31, 2015
I Revenue from Operations	20		
(a) Gross sales of products		30,418.66	29,068.24
Less: Excise duty		2,258.18	1,717.64
		28,160.48	27,350.60
(b) Sale of services and other operating revenue		438.82	234.70
Net revenue from operations		28,599.30	27,585.30
II Other income	21	391.12	492.74
III Total Revenue (I + II)		28,990.42	28,078.04
IV Expenses:			
(a) Cost of materials consumed	22	19,321.72	19,783.88
(b) Changes in inventories of finished goods and work-in-progress	23	(6.82)	(29.97)
(c) Employee benefits expenses	24	1,319.56	1,172.87
(d) Finance costs	25	2.15	11.09
(e) Depreciation and amortization expenses	11	441.40	539.97
(f) Other expenses	26	3,517.83	3,116.34
Total Expenses		24,595.84	24,594.18
V Profit before exceptional items and tax (III - IV)		4,394.58	3,483.86
VI Exceptional item - Provision for diminution in value of non current investment (refer note no. 38)			155.04
VII Profit before tax		4,394.58	3,328.82
VIII Tax expenses			
(a) Current tax		960.88	898.91
(b) Deferred tax		301.33	44.27
		1,262.21	943.18
IX Profit for the year		3,132.37	2,385.64
X Basic and diluted earnings per equity share (of ₹ 2 each):	27		
(a) before exceptional items		156.86	127.23
(b) after exceptional items		156.86	119.46

Accompanying notes forming part of the financial statements

1 to 43

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Jaideep Bhargava
Partner

New Delhi
May 5, 2016

For and on behalf of the Board of Directors

Pawan Munjal
Chairman, Managing Director & CEO
DIN- 00004223

Pradeep Dinodia
Chairman- Audit Committee
DIN- 00027995

Ravi Sud
Sr. Vice President & CFO

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2016

₹ crores

	Year ended March 31, 2016	Year ended March 31, 2015
A. Cash Flow from Operating Activities		
Profit before Tax	4,394.58	3,328.82
Adjustments for:		
Add: Depreciation and amortisation	441.40	539.97
Loss on assets sold/discarded	108.99	22.84
Loss on sale of non-trade current investments	0.03	0.21
Provision for diminution in value of investment		
Exceptional item: Long term trade investment - non current		155.04
Long term non trade investment	0.52	0.72
Finance cost	2.15	11.09
Provision for doubtful debts	2.95	0.70
Expense on employee stock option scheme	0.93	0.67
	556.97	731.24
Less: Interest on long term and current non-trade investments	41.54	50.37
Interest on loans, deposits etc.	122.51	98.86
Profit on sale of fixed assets	0.51	0.68
Dividend income:		
On current Investments - Non-Trade	7.06	1.50
On long-term investments-Trade and Non trade	4.50	2.25
Profit on sale of non-trade Long term & current investments	204.57	320.08
	380.69	473.74
Operating profit before working capital changes	4,570.86	3,586.32
Changes in working capital:		
Adjustment for (increase)/decrease in operating assets:		
Inventories	142.51	(145.94)
Trade receivables	103.84	(469.71)
Short-term loans and advances	46.20	(237.35)
Long-term loans and advances	44.21	(23.00)
Other current assets	(22.29)	(30.78)
	314.47	(906.78)
Adjustment for increase/(decrease) in operating liabilities:		
Trade payables	66.85	551.29
Other current liabilities	25.85	(6.53)
Other long-term liabilities	3.56	6.88
Short-term provisions	16.61	2.95
Long-term provisions	18.82	15.64
	131.69	570.23
Cash generated from operations	5,017.02	3,249.77
Less: Direct taxes paid	1,103.23	999.77
Net cash from operating activities	3,913.79	2,250.00
B. Cash Flow from Investing Activities		
Proceeds from sale of fixed assets	6.65	2.71
Sale of investments	26,967.10	20,644.00
Purchase of investment	(27,611.59)	(19,289.84)
Investment in Associates	(197.19)	(167.90)
Investment in Subsidiaries	(66.56)	(87.49)
Inter corporate deposits received back	-	515.00
Inter corporate deposits paid	-	(295.00)
Interest received on long term and current non-trade investments	30.67	31.01
Interest received on loans, deposits etc.	122.51	98.86
Dividend income:		
On current Investments - Non-Trade	7.06	1.50
On long-term investments-Trade and Non trade	4.50	2.25
Capital expenditure on fixed assets, including capital advances	(1,534.49)	(1,155.68)
Payment of deferred credits	-	(287.34)
Net cash (used) in investing activities	(2,271.34)	12.08

₹ crores

	Year ended March 31, 2016	Year ended March 31, 2015
C. Cash Flow from Financing Activities		
Interest paid	(2.15)	(11.09)
Dividends paid	(1,397.81)	(1,897.03)
Tax on dividend	(284.55)	(322.40)
Proceeds from issue of equity share capital	0.56	-
Net cash (used) in financing activities	(1,683.95)	(2,230.52)
D. Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(41.50)	31.56
Cash and cash equivalents at the beginning of the year	97.97	66.41
Cash and cash equivalents at the end of the year	56.47	97.97
Cash and bank balances	56.47	97.97
Reconciliation		
Cash and Bank balances as per Balance Sheet	131.36	159.25
Less: Unpaid dividend current account with Banks	74.89	61.28
Net Cash and cash equivalents at the end of the year	56.47	97.97

Accompanying notes forming part of the financial statements

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Jaideep Bhargava
Partner

New Delhi
May 5, 2016

For and on behalf of the Board of Directors

Pawan Munjal
Chairman, Managing Director & CEO
DIN- 00004223

Pradeep Dinodia
Chairman- Audit Committee
DIN- 00027995

Ravi Sud
Sr. Vice President & CFO