

PGDM 2015-17
Financial Accounting
DM 101

Trimester – I, End-Term Examination: September 2015

Time allowed: 2 hrs 30 min

Max Marks: 50

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**. In case of rough work please use answer sheet.

Section A: 3 out of 5 (Short Questions) 5 marks each: 15 Marks

- A-1. Generally ownership suitability of the different organisations depends upon their size. Explain this in India context.
- A-2 How are exceptional items different from other income in Statement of profit and loss? Cite examples.
- A-3 Why is testing for asset impairment necessary when an asset is already being depreciated?
- A-4 A firm pays Rs. 150 lakhs for a building and the land on which it is situated. How much should you take to be the separate value of the land and the building, if the fair market value of the land is Rs. 75 lakhs and building is Rs. 125 lakhs?
- A-5 The following information is available from the records of Santa Banta Company:

Date	Particulars	Units	Unit cost
Jan 1	Beginning inventory	150	14
9	Purchase	200	15
14	Purchase	350	17
23	Purchase	200	18
28	Purchase	100	20
	Sold	800	

Assume that the ending inventory on 31 Jan consisted of 50 units from the beginning inventory, 60 units from the Jan 14 Purchases, and 90 units from the Jan 23 purchases. The company uses the periodical inventory system.

Determine the cost of ending inventory and cost of goods sold using specific identification method and FIFO.

Section B: 2 out of 3 (Short Questions) 10 marks each: 20 Marks

- B-1: Vijaya Company's statement of profit and loss for the year ended 31st Aug 2015. The company is in the business manufacturing of FMCG.

VIJAYA COMPANY LIMITED	
Statement of Profit & Loss Statement	
For the year ended August 31, 2015	
Description	Rupees
Sales	92800
Gain on Sale of Piant	1100
Interest Income	3200
Total Income	97100
Cost of goods sold	81200
Selling and administration expenses	4300
Interest Expenses	1000
Loss on sale on investments	800
Total Expenses	87300
Profit before tax	9800
Income Tax	3900
Profit After tax	5900

During the period, inventories increased by Rs. 7300/-, trade receivables (gross) decreased by Rs. 4600/-, trade payables increased by Rs. 5900/- and income tax payable decreased by Rs. 1400/-. Cost of goods sold includes depreciation of Rs. 8700/-, and selling and administration expenses include bad debts expenses of Rs. 1800/-. Trade receivables in the amount of Rs. 700/- were written off during the period. Present the cash flows from operating activities according to indirect method.

B-2 Rockwell Wholesalers, Inc has just completed its fourth year of business, 2013. A set of financial statements was prepared by the principal stockholder's eldest child, a college student who is beginning the third week of an accounting course. Following is a list (in no systematic order) of the items appearing in the student's balance sheet, income statement, and statement of retained earnings:

Particulars	Amount	Particulars	Amount
Accounts receivable	\$183,100	Advertising expense	\$98,300
Note receivable	36,000	cost of goods sold	590,000
Merchandise inventory	201,900	Unearned rent revenue	4,800
Cash	99,300	Insurance expense	2,500
Paid -in capital	620,000	Unexpired insurance	2,300
Building	300,000	Accounts payable	52,500
Accumulated depreciation, building	20,000	Interest expense	600
Land	169,200	Telephone expense	2,900
Sales	936,800	Notes payable	20,000
Salary expense	124,300	Miscellaneous expense	3,400
Retained earnings as on Dec 31, 2012	164,000	Maintenance expense	4,300

Assume that the statement in which these items appear are current and complete, except for the following matters not taken into consideration by the Student:

- Salaries of \$5,200 have been earned by employees for the last half of December 2013. Payment by the company will be made on the next payday, January 2, 2014.
- Interest at 10 percent per annum on the Note receivable has accrued for 2 months and is expected to be collected by the company when the Note is due on January 31, 2014.
- Part of the building owned by the company was rented to a tenant on November 1, 2013, for 6 months, payable in advance. This rent was collected in cash and is represented by the item labeled Unearned Rent Revenue.
- Depreciation on the building for 2013 is \$6, 100.
- Cash dividends of \$60,000 were declared in December 2013, payable in January 2014.
- Income tax at 40 percent applies to 2013, all of which is to be paid in the early part of 2014.

Required: Prepare the financial statements as per Schedule VI of Companies Act, 2013:

- Statement of Profit & loss for the year ended December 31, 2013.
- Balance sheet as at December 31, 2013. (Show appropriate support for the dollar amounts you compute.)

B3: Explain the main principles of AS 10 Fixed Assets and AS 6 Depreciation.

Section C: Case Study (Compulsory) 15 Marks

The financial statements of three companies in the Power sector are given below. NTPC Limited is engaged in thermal power generation using coal as major fuel whereas NHPC is the leader in hydropower generation. Power Grid Limited (PG) is engaged in building and maintaining infrastructure which is used for transmission of Power.

Profit and loss account for the year ended 31st March 2012

Particulars	NTPC	NHPC	PG
Income			
Revenue from operations	62052	5655	10035
Other Income	2778	1061	750
Total Revenue	64830	6715	10785
Expenditure			
Full cost/ Electricity cost	41635		
Employees benefit expenses	3090	829	843
Finance cost	1712	342	1943
Depreciation and amortization	2792	893	2573
Other expenses	3589	1145	810
Total expenses	52818	3209	6169
Profit before tax and exceptional items	12012	3506	4616
Exceptional items	314	11	-19

Profit before tax	12326	3517	4597
Tax expenses			
Current tax	3068	703	889
Deferred tax	34	43	454
Total Tax expenses	3102	745	1343
Profit for the year	9224	2772	3254

Balance sheet as on 31st March 2012

Particulars	(Rs in Crores)		
	NTPC	NHPC	PG
A. Equity and liabilities			
1. Shareholders' funds			
Share capital	8245	12301	4630
Reserve and surplus	65046	14053	18858
	73291	26354	23488
2. Non –Current liabilities			
Long –term borrowings	45908	16273	49119
Deferred tax liabilities	637	204	1601
Other long-term liabilities	3159	1952	4209
Long-term provisions	604	1187	421
	50308	19616	55350
3. Current liabilities			
Short-term borrowing	0	180	1650
Trade payables	4468	219	203
Other current liabilities	9555	2801	8461
Short-term provisions	3216	3590	3064
	17239	6790	13378
Total	140838	52760	92216
B.Assets			
1.Non- current assets			
Fixed assets			
Tangible assets	45046	15654	47340
Intangible assets	212	714	323
Capital work –in-progress	41828	19350	28184
	87086	35718	75847
Non –current investments	9584	2499	1101
Long –term loans and advance	3883	1429	1317
Other non- current assets	1372	1182	5614
	101925	40828	83879
2. Current Assets			

Current investments	1622	251	183
Inventories	3703	44	440
Trade receivables	5833	2052	2316
Cash and cash equivalents	16146	6004	2336
Short- term loans advances	2755	1900	2434
Other current assets	8854	1681	628
Total current assets	38913	11932	8337
Total assets	140838	52760	92216

Additional Information:

	NTPC	NHPC	PG
Dividend Paid (Rs Crore)	3298	861	978
Tax on dividend (Rs Crore)	528	140	158
Market price on 31 st	152	19.8	10
Face value per share	10	10	10

Required

1. Carry out vertical analysis of statement of profit and loss and comment upon the profitability and cost composition of these companies.
2. Carry out vertical analysis of balance sheet and comment upon the composition of assets and liabilities.
3. Analyse the ROE using DuPont analysis. What are the key drivers of ROE for these companies?
4. Comment on profitability, liquidity, solvency and capital market standing of the companies.