

<PGDM Batch 2014-16>

<Financial Accounting>

<DM-101>

Trimester – I, End-Term Examination: September 2014

Time allowed: 2.5 Hours

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.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	$3*5 = 15$
B	2 out of 3 (Long Questions)	10 Marks each	$2*10 = 20$
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

SECTION- A

A1. Explain prudence/conservatism concept with the help of an example

A2. Write brief note on the following:

- Accumulated depreciation
- Capital and revenue expenditure

A3. The following are some of the year end balances of Tyagi & Comp, an architect firm. You are required to compute sales for the year 2013.

	2013 (Rs.)	2012 (Rs.)
Unbilled revenue	1800	2100
Unearned revenue	1600	1100
Cash received from fees	21710	19500

A4. M/S Ganesh Carpet s sold 190 carpets during the year 2013 at Rs. 3400/- each. It had a beginning inventory of carpets on 1st Jan 2013 of 20 carpets at a cost of Rs. 2300/-. The following purchases were made during the year ended 31st Dec 2013:

- I. May 2013 40 pieces @ Rs. 2400/-
- II. July 2013 50 pieces @ Rs. 2500/-
- III. Sept 2013 60 pieces @ Rs. 2700/-
- IV. Dec 2013 30 pieces @ Rs. 2800/-

If the periodic method of inventory system is maintained by the company, what is the difference between inventory valuation under FIFO and WAC (Weighted Average Cost) methods?

A5. Is it necessary to charge depreciation on a building when its market value is expected to exceed the cost of acquisition? Why or why not?

SECTION - B

B1.

Internet Services and retailing Industry Category

Company	Year	NPM %	Assets Turnover	Financial Leverage	ROE%
Google	Year 5	19	0.68	1.15	15
	Year 1	13	0.92	1.17	14

Yahoo!	Year 5	6	0.5	1.33	4
	Year 1	23	0.39	1.33	12

eBay	Year 5	21	0.52	1.45	16
	Year 1	24	0.42	1.2	12

- a. Which of the three companies used its assets most productively?
- b. Which of the companies used debt most aggressively in financing its operations?
- c. Which company's ROE would be the most attractive to investors, and how was it generated?
- d. Which company changed the most in how it generated ROE results for investors from Year 1 to Year 5? Explain.

e. How does dupont analysis aid in financial analysis

B2. M/S Azad & Associates Limited bought the following assets:

Assets	Cost (Rs.)	Residual Value (Rs.)	Useful life (Years)	Depreciation Policy (method)
Machinery	500000/-	25000/-	5	Diminishing Method
Building	700000/-	100000/-	25	Straight Line Method

After using the assets for three years, the company decided to change its depreciation policy as follows:

- Change the method of depreciation on machinery to the straight-line method
- Revise the remaining useful life of building to 30 years, keeping the same residual value.

What is the differential depreciation amount in the fourth financial year?

B3. Solve the following question under three different situations. What are the cash flow implications during 2013?

Particulars	31/12 2012	31/12 2013
Building Account (Two buildings purchased in the same year) 9000000/-		5000000/-
Less: Accumulated Depreciation Account	(2600000/-)	(1900000/-)
Net Fixed Assets after Depreciation	2400000/-	7100000/-

Additional information:

Total depreciation during the year 2013 debited to Income Statement is Rs. 600000/-

- Situation – I: One of the buildings of original cost of Rs.2000000/- has been sold at no profit during the year
- Situation – II: One of the buildings of original cost of Rs.2000000/- has been sold at a loss of Rs.200000/- during the year. The loss has been shown in the 'Income Statement'
- Situation – III: One of the buildings of original cost of Rs.2000000/- has been sold at a profit of Rs.500000/- during the year. The profit of Rs. 500000/- has been shown in the 'Income Statement'

SECTION – C (Compulsory case study)

Computer corner ltd was set up on 1st April 2008 to teach word processing, spreadsheet & database packages. The Trial Balance of the company at the end of the first year of operation is as follows:

Computer Corner Limited: Trial Balance, March 31st,2009

Account	Debit	Credit
Building	20,000	
Computers	18,000	
Supplies	3,210	
Debtors	2,960	
Cash	1,190	
Prepaid Insurance	4,800	
Creditors		4,200
Bills payable		2,600
Unearned Revenue		1,900
Share Capital		30,000
Dividends	2,000	
Revenue from services		24,060
Salaries Expenses	9,400	
Electricity Expenses	910	
Telephone Expenses	290	
	62,760	62,760

The following additional information is available:

- i. The building was acquired on 1st April, 08 and has an estimated life of 10 yrs. Two computers were bought on May 1st, 2008 at a cost of Rs 9000 each and are expected to be useful for three years
- ii. The inventory of supplies on March 31 is Rs 650
- iii. Fee revenue of Rs 3100 is due from students for March.
- iv. Unearned revenue includes fees of Rs 1600 for March.
- v. Salaries of instructors for March totaling Rs 1100 have not been paid.
- vi. The telephone bill for March has not been received and is estimated to be Rs 80.
- vii. Insurance premium of Rs 4800 was paid on October 1, 2008 for a one year policy effective from that date.
- viii. The bills payable account represents a three-month bill for Rs 2600 given to a creditor on

The bill carries interest at 12 percent per annum.

Prepare Income Statement & Balance sheet as per the revised reporting format.

SECTION-2

(10-14-09)

Apply the following process Reengineering in an organization. Discuss the steps involved in this process.

1. Identify the current process
2. Analyze the current process
3. Design the new process
4. Implement the new process
5. Monitor and evaluate the new process

6. Communicate the new process
7. Provide training and support
8. Measure and evaluate the results

Business Process Reengineering (BPR) is a management strategy that focuses on the fundamental processes of an organization. It involves analyzing and redesigning these processes to achieve significant improvements in performance, such as cost reduction, cycle time reduction, and quality improvement. The process typically involves identifying the current process, analyzing it for inefficiencies, designing a new process, implementing the new process, and monitoring and evaluating the results. BPR is a complex and often risky process, but it can lead to significant organizational improvements if done correctly.