

PGDM-IB, 2014-16

Financial Accounting

IB 103

Trimester – I, End-Term Examination: September 2014

Time Allowed: 2 Hrs 30 mins

Max Marks: 50

Sec A

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

1. 'Without considering the assumption of Going Concern Concept, preparation of Balance Sheet and Income Statement becomes impossible' – Discuss with reasoning.
2. Discuss the provisions of AS 2 for valuation of Inventories.
3. Classify the following items into current assets, fixed assets, shareholders' funds, Long-term liabilities, and current liabilities:

Sl No	Items	Category
1	Work-in-progress	
2	Profit for the year	
3	Electricity charges payable	
4	Sundry Creditor	
5	Provision for bad debt	
6	Finished goods stock	
7	Debentures issued	
8	Reserve and Surplus	
9	Patents	
10	Bills receivable	

4. Discuss the significance of Accounting Concepts and conventions.
5. Discuss very briefly the important provisions of AS 6.

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.)
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a)	Mohan commenced business with cash	70000
b)	Purchased goods on cash	14000
c)	Withdrew cash for private use	3000
d)	Goods purchased for cash	10000
e)	Paid wages	2000
f)	Paid to creditors	10000
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	2000

(10 marks)

7. For each transaction mentioned below:

i) Identify each transaction either as: a) Operating activity, b) Investing activity, c) Financing activity, d) None of the above

ii) Also state whether transaction results in a) an increase in cash, b) a decrease in cash, or c) no effect on cash

Fill the blank cells below

Sl no.	Particulars of Transactions	Category of Activity	Increase/Decrease/No effect on Cash
1	Cash received from customers		
2	Purchased Machinery		
3	Paid income tax to govt.		
4	Purchased a Fixed Deposit		
5	Issued equity shares at par		
6	Received cash on maturity of investments		
7	Cash paid to its suppliers and vendors		
8	Sold investments at a profit		
9	Issued debentures in exchange for equipment		
10	Received interest on short term investment		
11	Converted debentures into equity shares		
12	Earned a net profit		
13	Paid bonus to its employees		
14	Paid installments to purchase inventories		
15	Repaid bank overdrafts		
16	Retired a plant from use		
17	Sold patents at a gain		
18	Received dividend		
19	Made a down payment for purchase of furniture		
20	Paid interest on loans and debts		

(1/2 marks x 20)

8. Write short notes on the following:

(2.5 marks x 4)

- a) Straight line method of depreciation
- b) Accrual concept
- c) Going concern concept
- d) Consistency

Sec C

(Compulsory)

9. Chamanlal is a budding financial analyst. He aspires to become next 'Warren Buffet' of India. One day he saw an advertisement of Dulux Paints in television and become interested about the company manufacturing it. After googling for few minutes, he discovered that the company is Aczo Nobel India Ltd. (ANIL). At first, he downloaded the Annual reports (2013-14) of ANIL from website.

He wants to assess the financial health of ANIL, but not very sure about it. Please help Chamanlal by **calculating and analyzing** the following financial ratios from **attached financial statements of Aczo Nobel India Limited (2013-14)**. The market value of equity of ANIL on 31st March, 2014 is around INR 5326 crores.

- i) Dupont Ratio
- ii) Altman Z Score, and
- iii) Springate Score

(5 marks x 3)

Balance Sheet

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(Amounts in Rupees million, unless stated otherwise)	Note No.	As at 31 March 2011	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3.1	467	467
(b) Reserves and surplus	3.2	8,011	10,586
Non-current liabilities			
(a) Deferred tax liabilities (net)	3.3	121	47
(b) Other long-term liabilities	3.4	143	190
(c) Long term provisions	3.5	674	618
Current liabilities			
(a) Trade payables	3.6	4,926	4,785
(b) Other current liabilities	3.7	1,175	1,171
(c) Short-term provisions	3.5	4,872	5,188
		10,973	11,144
		20,388	23,052
ASSETS			
Non-current assets			
(a) Fixed assets	3.8		
(i) Tangible assets		5,025	3,548
(ii) Capital work-in-progress		306	1,057
(b) Non-current investments	3.9		
(c) Long term loans and advances	3.10	500	2,700
(d) Other non-current assets	3.11	1,032	901
		16	16
Current assets			
(a) Current investments	3.12	5,786	6,772
(b) Inventories	3.13	3,242	3,149
(c) Trade receivables	3.14	3,076	2,516
(d) Cash and bank balances	3.15	722	857
(e) Short-term loans and advances	3.16	514	1,291
(f) Other current assets	3.17	168	245
		13,507	14,830
		20,389	23,052

The accompanying notes (1-5) form an integral part of the financial statements.

As per our report attached.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration No. 116231W

Rakesh Dewan

Partner

Membership No. 092212

16 May 2014

Gurgaon

For and on behalf of the Board of Directors of Akzo Nobel India Limited

Jayakumar Krishnaswamy

Managing Director

DIN No. 02099219

Nihal Kaviratne CBE

Chairman

DIN No. 00032473

Himanshu Agarwal

Whole-time Director

DIN No. 06672915

R Guha

Company Secretary

Statement of Profit & Loss

(Amounts in Rupees million, unless stated otherwise)

	Note No.	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenue from operations	4.1		
Sale of products (gross)		26,378	24,209
Less: Excise duty		(2,661)	(2,412)
Net sales		23,717	21,797
Service income		279	332
Other operating income		183	191
		24,179	22,320
Other income	4.2	567	1,381
Total revenue		24,746	23,701
Expenses			
Cost of materials consumed	4.3	11,726	10,845
Purchase of stock-in-trade	4.4	2,204	1,990
Changes in inventories of finished products, work-in-progress and stock-in-trade	4.5	(146)	120
Employee benefits expense	4.6	1,939	1,753
Finance costs	4.7	15	89
Depreciation and amortization expense (Net of transfer from revaluation reserve)	3.8	437	386
Other expenses	4.9	6,537	5,727
Total expenses		22,712	20,910
Profit before tax		2,034	2,791
Tax expense:			
Current		435	572
Deferred tax charge/(credit)		74	21
Provision for earlier years		23	10
Profit for the year		532	603
Earnings per equity share - basic and diluted (in ₹) [Face value of ₹ 10 each]	5.3	1,502	2,188
		32.18	46.49

The accompanying notes (1-5) form an integral part of the financial statements.

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Managing Director

DIN No. 02099219

Himanshu Acharwal

Wholesale Director

DIN No. 06672915

R Guha

Company Secretary

Cash Flow Statement

(Amounts in Rupees million, unless stated otherwise)

	For the year ended 31 March 2014	For the year ended 31 March 2013
(A) Cash flow from operating activities		
Profit before exceptional items and tax	2,034	2,791
Adjusted for:		
Depreciation and amortisation	437	386
Provisions/liabilities no longer required written back	(11)	(12)
Provision for doubtful debts and advances	18	23
Accrued interest on long term investments (bonds)	(39)	(36)
Gains on redemption of long term investments	(353)	(881)
Gains on redemption of other investments	(151)	(151)
Dividend income from other investments	-	(3)
Interest income on Income tax refund	-	(279)
Interest expense	15	89
	(84)	(864)
Operating profit before working capital changes	1,950	1,927
Changes in:		
(Decrease) / increase in current and non current liabilities and provisions	195	733
Decrease / (increase) in inventories	(93)	185
Decrease / (increase) in trade receivables	(581)	(269)
(Increase) / decrease in loans and advances and other current and non current assets	173	(135)
	(306)	514
Cash generated from operations	1,644	2,441
Income tax paid (net)	41	(361)
Net cash flow from operating activities (A)	1,708	2,080
(B) Cash flow from investing activities		
Purchase of fixed assets (net of sale)	(1,203)	(1,261)
Sale of fixed assets	4	-
Payments relating to divested businesses	(1,150)	(5,200)
Investments in long term investments	(17,915)	(3,422)
Investment in other investments	3,566	9,331
Redemption of long term investments	19,189	889
Income from other investments	14	(5)
Fixed deposits held as margin money		
Net cash flow from investing activities (B)	2,505	331

Cash Flow (contd.)

(Amounts in Rupees million, unless stated otherwise)

	For the year ended 31 March 2014	For the year ended 31 March 2013
(C) Cash flow from financing activities		
Buyback of shares		(1,209)
Dividend paid	(3,733)	(933)
Tax on dividend	(634)	(152)
Interest paid	(15)	(15)
Net cash flow from financing activities (C)	(4,382)	(2,309)
Net changes in cash and cash equivalents (A+B+C)	(169)	102
Cash and cash equivalents - opening balance	787	685
Cash and cash equivalents - closing balance	618	787
Cash and cash equivalents comprise :		
Bank balances in current accounts	516	659
Cheques in hand	-	8
Fixed deposits	102	120
	618	787

Foot Note :

The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 "Cash Flow Statement" specified in the Companies (Accounting Standards) Rules, 2008.

The accompanying notes (1-5) form an integral part of the financial statements.

As per our report attached.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration No. 116231W

Rakesh Dewan

Partner

Membership No. 092212

16 May 2014

Gurgaon

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