

**PGDM 2018-20**  
**DM 102**  
**Financial Accounting**  
**Trimester – I , End-Term Examination: September 2018**

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**. All other instructions on the reverse of Admit Card should be followed meticulously.

**Section A: Attempt 3 out of 5 questions all questions carry 5 marks each (15 Marks)**

**Ques A1.** Write the journal entries for the following: (1 Mark each)

- A. ABC Ltd. paid a rent of Rs. 1,000 out of which Rs. 300 was for the previous year.
- B. New machinery was purchased for Rs. 100 along with a desirable (not needful) metal casing to reduce noise for Rs. 50.
- C. Due to slump in market value, XYZ Ltd. had to write down its inventory by Rs. 200.
- D. Out of total salary paid in current year worth Rs. 500, Rs. 180 was for next year paid in advance.
- E. After purchase of the machinery on 1<sup>st</sup> Jan 2018, value decreased in the first year itself by Rs. 500. The company is following revaluation model.

**Ques A2.** Diluted EPS can be more than EPS in exceptional scenario. Do you agree? Answer with reasoning in not more than 30 words.

**Ques A3.** The records of Kaif Company contain the following information relating to the inventory item of K730 for year ending 31<sup>st</sup> March 2018.

Date	Particulars	Units	Rs. / Unit
Oct 1 <sup>st</sup>	Beginning inventory	10	4
3 <sup>rd</sup>	Purchase	50	5
9 <sup>th</sup>	Sale	10	22
14 <sup>th</sup>	Sale	45	24
19 <sup>th</sup>	Purchase	50	7
22 <sup>nd</sup>	Sale	40	24
26 <sup>th</sup>	Purchase	30	9
28 <sup>th</sup>	Sale	10	25
31 <sup>st</sup>	Sale	5	26

- A. Determine the cost of the ending inventory and COGS using FIFO (3 Marks).
- B. How inventories should be measured for the purpose of balance sheet as per Ind-AS 2. No calculation required. (2Marks)

**Ques A4.** Identify three kinds of external users and describe how they use accounting information.

**Ques A5.** Identify and comment on 2 major changes brought in due to implementation of IND AS.

**Section B: Attempt 2 out of 3 questions all questions carry 10 marks each (20 Marks)**

**Question B1.** Back bay Company provides local mail delivery service in the financial district of Mumbai. The trial balance of the company is as follows:

BACKBAY COMPANY		
Trial Balance, February 28, 20XX		
	Debit	Credit
Office equipment .....	Rs. 7,000	
Accumulated depreciation, office equipment.....		Rs. 1,000
Office supplies.....	3,800	
Trade receivables.....	1,900	
Cash .....	770	
Prepaid rent .....	2,400	
Trade payables.....		1,100
Unearned revenue.....		400
Share capital.....		10,000
Retained earnings (Opening).....		2,100
Dividends.....	1,400	
Revenue from services.....		7,200
Salaries expense.....	3,800	
Telephone expense.....	730	
	<b><u>21,800</u></b>	<b><u>21,800</u></b>

Additional information:

- a) Prepaid rent represents rent for February to April.
- b) The inventory of office supplies at the end of February was Rs. 3,200.
- c) Revenue earned for service performed but not yet billed at the end of February was Rs. 1,600.
- d) Revenue earned for service performed, paid for in advance, was Rs. 210.
- e) Depreciation on office equipment for February was Rs. 250.
- f) Accrued salaries at the end of February were Rs. 540.

**Required:** Prepare the February statement of profit and loss and balance sheet.

**Ques B2:** The financial statements for a manufacturing company, Hypothetical Limited, are given below for the year ending 31<sup>st</sup> March 2018.

Income Statement (FY18)		
	<b>Sales</b>	1,200
Less	COGS	-450
Less	Salary Expense	-80
Less	Rent Expense	-70
Less	Depreciation	-100
Less	Interest Expense	-25
Add	Gain on sale of M/C	40
Less	Provision of Doubtful Debt	-10
	<b>Profit Before Tax</b>	505
Less	Tax Provision	-90
	<b>Profit After Tax</b>	415
Less	Pref Dividends	-20
	<b>Earning Attributable to Equity Share</b>	395
Less	Common Dividend	-100
	<b>Retained Earning</b>	295

Balance Sheet Excerpts	Opening	Closing
Equity Share Capital	600	650
Retained Earnings	150	445
Preference Share Capital	150	200
11% Bonds payable	200	450
9% Notes Payable	150	180
Accounts Payable	60	80
Tax Payable	10	0
Outstanding Rent	20	0
Outstanding Salary	5	15
Plant and Machinery	500	400
Furniture and Fixtures	500	600
Trade Receivable	20	5
Inventory of Finished Goods	100	0
Inventory of Raw Material	-	100
Cash & Bank	200	130

Prepare a statement of cash flows for the year ended 31<sup>st</sup> March, 2018 using the indirect method.

**Ques B3** In context to Long Lived asset, write a detailed note on any 2 of the following:

- Capitalization is a debatable concept
- Impairment is different than depreciation.
- Depreciation is same as amortization

**Section C: Compulsory Case study (15 Marks)**

Tata Motors did not have a very good fiscal 2017-18. Company's year-end balance sheets and profit loss statement is given below.

<b>EQUITY AND LIABILITIES</b>	<b>FY18</b>	<b>FY17</b>
Share Capital	6,792	6,792
Total Reserves	1,94,918	2,04,834
Secured Loans	9,903	14,612
Unsecured Loans	1,21,657	1,22,249
Long Term Provisions	10,095	8,922
Trade Payables	1,42,256	1,14,622
Other Current Liabilities	60,088	43,567
Short Term Borrowings	30,999	51,585
<b>Total</b>	<b>5,76,706</b>	<b>5,67,184</b>
<b>ASSETS</b>		
	<b>FY18</b>	<b>FY17</b>
Gross Block	4,86,985	4,51,597
Less: Accumulated Depreciation	-2,15,620	-1,91,130
Net Block	2,71,366	2,60,466
Intangible assets under development	38,252	53,684
Non-Current Investments	1,42,608	1,48,584
Currents Investments	25,028	24,374
Inventories	56,701	55,530
Sundry Debtors	34,798	21,280
Cash and Bank	7,954	3,266
<b>Total</b>	<b>5,76,706</b>	<b>5,67,184</b>

<b>Profit and Loss Account (For the period ending 31/03/18)</b>	<b>Amount (Rs.)</b>
Gross Sales	5,96,247
Less: Excise	7,933
<b>Net Sales</b>	<b>5,88,314</b>
Increase/Decrease in Stock	8,421
Raw Materials Consumed	4,18,429
Power & Fuel Cost	5,451
Employee Cost	39,667
Other Manufacturing Expenses	40,584
General and Administration Expenses	42,679
Depreciation	31,019
Other Income (Non Operating)	15,576
Interest	17,444
<b>Profit Before Tax</b>	<b>197</b>
Provision for Tax	59
<b>PAT</b>	<b>138</b>

**Required:** Analyze and comment on the results from liquidity, efficiency and solvency point of view. Clearly mention your analysis along with the ratios calculated.