**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIRST TRIMESTER (Batch 2021-23)**

**END TERM RE-EXAMINATION, February 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Course Name | **Accounting for Business** | Course Code | **40201** |
| Max. Time | **2 hours 15 minutes** | Max. Marks | **40** |

**INSTRUCTIONS:**

1) Answer all the questions.

2) Laptop computer, books, any written note, paper, and mobile phones are strictly prohibited. You can carry only pen, pencil, eraser and your own scientific calculator in the examination hall. **Exchange of calculator is strictly prohibited.**

3) All questions carry adequate information to answer them appropriately. Hence don’t disturb the invigilator by asking any question.

**Part: A**

**Case: Beta and Sons:**

 Beta and Sons started a pharmaceutical-related business in 1999. Their net income-related trends were favorable, and the position of the balance sheet was also stable. However, they are planning to expand the business and, hence, they need your help in constructing the cash flow to understand the liquidity position under various activities. The following financial statements are from the 2021 *Annual Report* of the Beta and sons:

**Income Statement for Year Ended December 31, 2021**

|  |  |
| --- | --- |
| Sales | $1,000 |
| Cost of goods sold | (650) |
| Depreciation expense | (100) |
| Sales and general expense | (100) |
| Interest expense | (50) |
| Income tax expense | (40) |
| Net income | $60 |

**Balance Sheets at December 31, 2000 and 2001**

|  |  |  |
| --- | --- | --- |
|  | **2020** | **2021** |
| Assets |  |  |
| Cash | $ 50 | $60 |
| Accounts receivable | 500 | 520 |
| Inventory | 750 | 770 |
| Current assets | $1,300 | $1,350 |
| Fixed assets (net) | 500 | 550 |
| Total assets | $1,800 | $1,900 |
| Notes payable to banks | $ 100 | $ 75 |
| Accounts payable | 590 | 615 |
| Interest payable | 10 | 20 |
| Current liabilities | $700 | $710 |
| Long-term debt | 300 | 350 |
| Bank Loan | 300 | 310 |
| Capital stock | 400 | 400 |
| Retained earnings | 100 | 130 |
| Total liabilities and equity | $1,800 | $1,900 |

Questions:

1. Prepare a statement of cash flows for the year ended December 31, 2021

**(10 Marks)**

**Part: B**

  The assets, liabilities, and equity of Kalinga, Inc. as of December 31, appear below:

|  |  |
| --- | --- |
| Accts payable | 4,390 |
| Accts receivable | 5,370 |
| Accumulated depreciation | 7,500 |
| Additional paid-in capital | 5,000 |
| Building | 107,500 |
| Cash | 1,978 |
| Common stock | 10,000 |
| Income tax payable | 9,220 |
| Inventory | 15,830 |
| Investment in Endrun | 15,000 |
| Land | 25,000 |
| Mortgage payable | 108,000 |
| Prepaid insurance | 1,800 |
| Registered trademark | 7,500 |
| Retained earnings | 35,788 |
| Store fixtures | 7,500 |
| Unearned revenue | 7,580 |

Notes:

|  |  |
| --- | --- |
| • | The investment in Endrun was made for the purpose exerting influence on that company |
| • | The insurance policy covers the next six months. |
| • | The mortgage is paid in monthly principle installments of $600.00. |

REQUIRED: Arrange all the accounts into the format of a balance sheet.  **(10 Marks)**

**Part: C**

Whippany manufacturing wants to estimate costs for each product they produce at its Troy plant.  The Troy plant produces three products at this plant, and runs two flexible assembly lines.  Each assembly line can produce all three products.

**Required:**

         a.      Classify each of the following costs as either direct or indirect for each product.

         b.      Classify each of the following costs as either fixed or variable with respect to the number of units produced of each product.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Direct** | **Indirect** | **Fixed** | **Variable** |
|   |   |   |   |   |
| Assembly line labor wages | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Plant manager’s wages | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Depreciation on the assembly line equipment | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Component parts for the product | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Wages of security personnel for the factory | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |

 **(8 Marks)**

**Part-D**

Cocoa Pet Corporation manufactures two models of grooming stations, a standard and a deluxe model. The following activity and cost information has been compiled:

**Number of                 Number of                          Number of**

**Product                          Setups               Components           Direct Labor Hours**

            Standard                                  3                                30                                       650

            Deluxe                                     7                                50                                       150

            Overhead costs             $20,000                       $60,000

 Assume a traditional costing system applies the $80,000 of overhead costs based on

 direct labor hours.

         a.      What is the total amount of overhead costs assigned to the standard model?

         b.      What is the total amount of overhead costs assigned to the deluxe model?

Assume an activity-based costing system is used and that the number of setups and the number of components are identified as the activity-cost drivers for overhead.

         c.      What is the total amount of overhead costs assigned to the standard model?

         d.      What is the total amount of overhead costs assigned to the deluxe model?

 e.      Explain the difference between the costs obtained from the traditional costing system and the ABC system. Which system provides a better estimate of costs? Why?

 **(12 Marks)**

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