**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIRST TRIMESTER (Batch 2022-24)**

**END TERM EXAMINATION, NOVEMBER-2022**

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

**INSTRUCTIONS:**

1. This is a closed-book examination. Access to Computers & the textbook/course materials are not

permitted in the examination hall.

1. Use of calculator, including scientific or financial, is allowed.
2. Do not use pencils for answering the questions
3. Answers without proper analysis will be treated as incomplete.
4. Any academic dishonesty will fetch Zero marks in the examination.
5. **The question paper consists of Five Pages.**
6. All the questions given below are to be answered using the given data in the question paper only.
7. Present your answers in legible handwriting.
8. **The exam office will distribute a sheet consisting of the relevant ratios.**

**Part A: Construction of P&L and Balance Sheet**

**Question: 1 (Suggested time: 30 Minutes) (Marks 8)**

Prepare Profit and Loss Account and Balance Sheet from the following balances, relating to the year

ending 31st March, 2022:

 Rs. Rs.

Capital 10,000 Wages Expenses 5,000

Creditors 1,200 Bank or cash 1,000

Purchase return 500 Repairs expenses 50

Sales 16,400 Inventory (1-4-2022) 2,000

Accounts Payable 500 Rent expenses 400

Plant and Machinery 4,000 Manufacturing Expenses 800

Sundry Debtors 2,400 Trade Expenses 700

Drawings (money withdrawal) 1,000 Bad Debts 200

Purchase 10,500 Carriage Expenses 150

Sales return 300 Fuel and Power expenses 100

The Closing inventory was valued at Rs. 1,450.

Depreciate Plant and Machinery Rs.400

Allow 5% interest on capital, a sum of Rs.40 is due (outstanding) for repairs.

**Part B: Construction of Cash Flow and Financial Analysis**

**Neogi Chemicals, Inc.**

Dev D felt the warm April breeze on his face as he traveled south on Highway 29 after finishing his interview at Neogi Chemicals, Inc. It was his second interview with Ajay Kumar, the owner of Neogi Chemicals, for the position of chief financial officer.

Driving down the highway, Powers reflected on his conversation with Ajay Kumar as the interview came to a close. Ajay Kumar had said, “Dev, you have some skills we could really use. We have been growing quite a bit over the last couple of years, and we need more sophistication in the finance and accounting area. We are getting too big just to employ a bookkeeper. We need someone who can help us think intelligently about the financial future of the business. Let me pencil out an offer and get back with you in the next couple of days.” Encouraged by Ajay Kumar’s comments, Dev had responded, “This sounds great, Ajay. I wonder if I might get a copy of the company’s financial statements to take with me. I would like to look them over. You know—just to see what things look like.” Ajay had disappeared down the hall into the bookkeeper’s office and then returned with several pages for Dev to take with him. “Here’s a complete set of the financial statements for our 2022 year.”

**Data- 1**

**Income Statement for the Year Ended March 31, 2022**

|  |  |
| --- | --- |
| **Revenues** | Rs. 2,181,250 |
| Cost of goods sold | 1,110,600 |
| **Gross profit** | **1,070,650** |
| **Less: Operating expenses:** |  |
| Rent expense | 120,600 |
| Utilities expense | 60,350 |
| Phone expense | 6,100 |
| Salary and wage expense | 650,000 |
| ***Depreciation expense*** | ***20,000*** |
| Marketing expense | 41,000 |
| **Total operating expense** | **898,050** |
| **Operating income** | **172,600** |
| Interest expense | 9,000 |
| **Profit before taxes** | **163,600** |
| Income-tax  | 57,300 |
| **Profit after Tax** | **$ 106,300** |

 **Data- 2**

**Balance Sheet for the Years Ended March 31, 2021, and March 31, 2022**

|  |  |  |
| --- | --- | --- |
| **Current assets:** | **March 31, 2021** | **March 31, 2022** |
| Cash | $ 47,950 | $ 45,600 |
| Accounts receivable | 655,000 | 700,000 |
| Inventory | 234,700 | 250,000 |
| ***Total current assets*** | ***937,650*** | ***995,600*** |
| Equipment (Non-current asset) | 160,000 | 190,000 |
| **Total assets** | **$1,097,650** | **$1,185,600** |
| **Current liabilities:** |  |  |
| Accounts payable | 510,000 | 530,000 |
| Utilities payable | 19,000 | 18,250 |
| Salary and wages payable | 9,750 | 10,000 |
| Income tax payable | 7,100 | 7,250 |
| ***Total current liabilities*** | ***545,850*** | ***565,500*** |
| **Noncurrent liabilities:** |  |  |
| Loan payable | 172,000 | 154,000 |
| **Total liabilities** | **717,850** | **719,500** |
| **Owners’ equity:** |  |  |
| Capital stock | 240,000 | 240,000 |
| Retained earnings | 139,800 | 226,100 |
| **Total liabilities and owners’ equity** | **$1,097,650** | **$1,185,600** |

|  |  |  |
| --- | --- | --- |
| **Current assets:** | **March 31, 2021** | **March 31, 2022** |
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| Capital stock | 240,000 | 240,000 |
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**Questions: 2 (Suggested time: 45 Minutes)**

Using the financial statements and additional information provided in the case, prepare the 2022 statement of cash flow for Neogi Chemicals, Inc.;   **(Marks 10)**

**Question 3: (Suggested time: 45 Minutes)**

1. Comment on the Profitability, liquidity, and solvency position of Neogi Chemicals, Inc.? Calculate at least three relevant ratios for each metric and also interpret them.

 **(15 marks: 3+3+3+2+2+2)**

**Part C: Changes in Accounting Policies**

**Questions 4: (Suggested time: 15 Minutes)**

Please write a comments on the changes in accounting policies (i.e., changes in the numbers using the Revenue, Inventory, and Depreciation). How do these changes in numbers impact the deferred taxes? **[7 Marks: 2+2+2+1]**

**-------------------------------------End of Question Paper----------------------------------------------**