**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

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

**END-TERM SPECIAL IMPROVEMENT EXAMINATION JAN 2023**

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

**INSTRUCTIONS:**

1. This is a closed book exam.
2. LAPTOPS ARE NOT ALLOWED. Calculators are allowed but exchange of calculators inside the exam hall is not permitted.
3. Any conversation with anybody outside the examination hall while the examination is on will be considered an act of serious academic indiscipline.
4. Do not use pencil for the examination. Computations/answers written in pencil will be treated as rough work and will not be evaluated.
5. No clarifications will be entertained.
6. Wherever necessary, spell out your assumptions clearly. The assumptions must be reasonable.
7. READ CAREFULLY. THINK CAREFULLY. WRITE CAREFULLY
8. Any discussion during examination will award you F grade.
9. Remember, your solution is not graded on the correctness of the final answer, but on the extent to which you have demonstrated comprehension of the corresponding techniques and concepts.

**Question: 1.** [7+3= 10 Marks]

The following financial statements are from the 2001 *Annual Report* of the Amitabh Bachchan Corporation Ltd. (ABCL) :

**Income Statement for Year Ended December 31, 2001**

|  |  |
| --- | --- |
| 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 (PAT) | $60 |

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

|  |  |  |
| --- | --- | --- |
|  | **2000** | **2001** |
| 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 |

Prepare a statement of cash flows for the year ended December 31, 2001 ***(7 Marks).***

Please also write a report on analysis of all three activities of ABCL ***(3 Mark)***

**Question 2** [4 (Profitability) +4 (Liquidity) +4 (Solvency) +3 (Efficiency)= 15 Marks]

 The following data are taken from the records of Lone Pine Cafe:

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| **Balance Sheet as at 2nd November 2005** |
| **Liabilities** | **Assets** |
| Capital $48,000Borrowing $21,000 **Total $69,000**  |  |
|  | Partners have arranged ($48000 + $21000= $69000 Cash)(-) Equipment $53,200 = $15,800 (-) Stock F& B $2,800 = $13,000 (-) Cash register $1,400 = $11,600 (-) License $1,428 = Bank $10,172 (Opening cash) **Total $69,000**  |

|  |  |
| --- | --- |
| **BALANCE SHEET AS ON 30th MARCH, 2006** |  |
| **Liabilities/Sources of funds** | **Assets/Application of funds** |
| Capital :Mr. Antoine 16000Mrs. Antoine 16000Mrs. Landers 16000 Total **$48,000**Bank borrowings ($21000 - $2100) $18,900Accounts Payables $1,583 **$68,483** | Bank $ 1030Accounts Receivables $870Equipment $50,755Stock F & B $2,430Operating Licence $833Cash register $1,400Cash Balance $311Business Loss $10,854 **$68,483** |

**Cash Account**

|  |  |  |
| --- | --- | --- |
| Opening balanceAdd: ReceiptsLess: PaymentsLess: Repayment of bank loan | $10172 from Opening BS$43480 Data source: Case B$53652$50211\* $3441 $2100 $**1341** | Closing Balance to be -achieved  Closing cash $1030Add: Cash contains $311 $**1341** |

|  |
| --- |
| **Income statement for the period ending on March 30,2006** |
| **Expenses**  | **Revenues** |
| Monthly payment $23,150 Wages to part time $5,480 Interest $540 Telephone & electricity $3,270 Miscellaneous expenses $255 Rent payments $7,500Operating license $ 1,428-prepaid $ 833 $595Dep. On equipment $2,445Consumable food $11,969  **$55,204**  | Cash received from customers $43,480 Cash received from debtors $870 *(It is still to be received)*Loss (difference amount) $10,854  **$55204** |

Please comment on profitability, Liquidity, Solvency and efficiency of the company.

**Question 3 [7.5 Marks]**

Please write a note on revenue recognition. Your note should cover both condition A (*Cash received but services are not provided*) and Condition B (*Services are provided but cash is not received*).

*(You answer should be supported by hypothetical numbers and should not exceed one page)*

**Question 4 [7.5 Marks]**

How extended useful period of life of machinery impacts the depreciation policy of a firm. Your answer should be supported by some hypothetical numbers.

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