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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management (Batch 2023-25) |
| **Course Title: Accounting for Business, (Course Code: 40201)**  **End Term Examination (Main exam), Term - I (Oct, 2023)** | |
| **Time Duration : 2 Hours Total Marks: 40** | |

***General Instructions*:**

*a)* Could you answer the questions as directed?*The break-up of the marks is given wherever necessary.*

*b)*      *Marks against each question are indicated to its below.*

*c)*       ***Answer all the questions of a ‘Section/Question’ in one place in continuation.***

*d)*      *Answers should be brief and to the point.*

*e)*      *Do not write on the question paper except your roll number.*

*f)*        *All the questions below will be answered using the given data in the question paper only.*

*g)*      *Present your answers in legible handwriting.*

*h)*      ***This is an open-book exam. Students can only use the textbook during exam hours.***

**SECTION – A (15 Marks)**

On August 12, 1946, three people, who had previously been employed to wait on tables in one of the cafes in Baxter(Oregon), formed a partnership. The eldest of the three was Mrs. Bevan, a middle aged widow. The other two were Mr. and Mrs. Elmer Maywood. The partnership lasted for slightly more than four months, and in connection with its dissolution the preparation of a balance sheet became necessary.

Each of the partners contributed $2000 cash, a total of $6000. On August 12, the partnership purchased Smoky Valley Café for $ 16000. The purchase price included land valued at $2500, improvements to land at $2000, buildings at$10500, and café equipment at $1000. The partnership made a down payment of $4500 (from its $6000 cash) and signed a mortgage for the balance of the $16000. The doors of the café were opened for business shortly after August 12.

One of the things that made this particular piece of property attractive to them was the fact that the building contained suitable living accommodations. One of its rooms was occupied by Mrs. Bevan, another by the Maywoods.

The Maywoods and Mrs. Bevan agreed on a division of duties and the responsibilities which would allow them to keep the café open twenty-four hours a day. They agreed that Mrs. Bevan would operate the kitchen, Mrs. Maywood would have charge of the dining room, and that Mr. Maywood would attend the bar. Mrs. Bevan agreed to keep the accounting records. She was willing to perform this task because she was vitally interested in making the business a success. She had invested the proceeds from the sale of her modest home and from her husband’s insurance policy in the venture. If it failed, a major part of her financial resources would be lost.

A beer licence was granted by the state authorities. On August 15, the partnership sent a cheque for $35 to the distributor who supplied beer. This $35 constituted a deposit on bottles and kegs necessary for the operation of the bar and would be returned to the Smoky Valley Café after all bottles and kegs had been returned to the beer distributor.

The Smoky Valley Café was located on a major highway, and a great deal of business was obtained from truck drivers. One of these truck driver patrons, Fred Mead, became a frequent customer. He soon gained the friendship of Mrs. Maywood.

In October, the partners decided that to continue to offer their patrons quality food, they would have to add to their equipment. This new equipment cost $415.95, and because the supplier of the equipment was unimpressed with the firm’s credit rating, the equipment was paid for in cash.

The month of November did not improve the cash position of the business. In fact, the cash balance became so low that Mrs. Bevan contributed additional cash in the amount of $400 to the business. She had hopes, however, that the future would prove to be more profitable.

On the night of December 12, Fred Mead stopped in the café to see Mrs. Maywood. Shortly after he left, Mrs. Maywood retired to her room. A few hours later, Mr. Maywood came in and asked for her, and after a brief search discovered that she had departed with Fred Mead, and he thereupon set out in pursuit of the pair.

On December 16, Mrs. Bevan decided that, the partnership was dissolved because she had not heard any word from either of the Maywoods. (The court subsequently affirmed that the partnership was dissolved as of December 16, 1946)Although she had no intention of ceasing operations, she realized that an accounting would have to be made as of December 16. She called in Mr. Bailey, a local accountant, for this purpose.

Mrs. Bevan told Mr. Bailey that they had been able to pay $700 on the mortgage while the partnership was operating. Cash on hand amounted to $65.35, but the bank balance was only $9.78. Mr. Bailey found bills owed by the café totaling $92.01. Mrs. Bevan said that her best estimate was that there was $100 worth of food on hand.

Mr. Bailey estimated that a reasonable allowance for depreciation on the fixed assets was as follows:

Land improvements: $44.45

Buildings: $233.45

Café Equipment: $44.19

**Q1: Construct a balance sheet for the Smoky Valley Café as of August 12, 1946.**

**(5 marks)**

**Q2: Construct a balance sheet as of December 16, 1946.**

**(10 marks)**

**SECTION – B (15 Marks)**

The following financial statements are from the 2001 *Annual Report* of the *“EXAM BADA IMPORTANT HAI.COM Ltd.”*:

**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 | $60 |

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

|  |  |  |
| --- | --- | --- |
|  | **2000** | **2001** |
| **Assets** |  |  |
| Cash | 50 | 60 |
| Accounts receivable | 500 | 520 |
| Inventory | 750 | 770 |
| **Total Current assets** | *$1,300* | *$1,350* |
| Fixed assets (net of depreciation) | 500 | 550 |
| **Total Non-current Assets** | *$500* | *$550* |
| **Total assets** | **$1,800** | **$1,900** |
| **Liabilities** |  |  |
| Notes payable to banks | 100 | 75 |
| Accounts payable | 590 | 615 |
| Interest payable | 10 | 20 |
| **Total Current liabilities** | *$700* | *$710* |
| Long-term debt | 300 | 350 |
| Bank Loan (Long term ) | 300 | 310 |
| **Total Non-current Liabilities** | *$600* | *$660* |
| Capital | 400 | 400 |
| Reserve & Surplus | 100 | 130 |
| **Total Capital & Reserve and Surplus** | *$500* | *$530* |
| **Total liabilities** | **$1,800** | **$1,900** |

**Q3.** Construct a statement of cash flows for the year ended December 31, 2001.

**(10 marks)**

**Note:** You may refer to the following tables for correctly placing your numbers:

***Table-A***

|  |  |
| --- | --- |
| C A increases | **-** |
| C A decreases | **+** |
| C L increases | **+** |
| C L decreases | **-** |

***Table-B***  Non-Current Assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **+** | **NCA  T  account** | | **-** |  |
| Opening NCA |  | Closing NCA |  |  |
|  |  | + depreciation |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

***Table-C*** Capital/ Non-current liabilities/Reserve and Surplus

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **+** | **NCA  T  account** | | **-** |  |
| Closing |  | Opening |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

***Table-D*** Reclassification

|  |  |
| --- | --- |
| Expenses | Revenues |
| Interest paid  Depreciation  Amortization  Loss on sale of assets | Gain on sale of assets  Interest received  Dividend received |

**Q4:** Analyze the cash flow prepared by you for the “EXAM BADA IMPORTANT HAI.COM Ltd.”

**(5 marks)**

**SECTION – C (10 Marks)**

**Bharat Heavy Electricals Limited [BHEL]**

BHEL started its journey as a Public Sector Undertaking [PSU] by Government of India in the year 1964. The company according to its latest annual report operates into the following eight segments: Power – Transmission –Industry- Transportation- Renewables-Oil & Gas – Defence - Water.

The company’s headquarters is at New Delhi. The company offer a wider variety of capital goods from Boilers to Power Plants and Casting & Forgings to oil field equipment.

The company’s Standalone Statement of Profit & Loss [Income Statement], Standalone Balance Sheet and Standalone Cash Flow Statement are presented in Exhibits 4,5& 6 respectively.

**Exhibit 4: Standalone Profit & Loss Statement of BHEL [2013& 2014] [Amount in Rs Crores]**

|  |  |  |
| --- | --- | --- |
| Particulars | Year ending 31st March 2014 | Year ending 31st March 2013 |
| 1. Gross Revenue from Operations | 40337.92 | 50156.48 |
| Less: Excise Duty | 1342.26 | 1904.01 |
| Less: Service Tax | 606.84 | 634.80 |
| Net Revenue from operations | 38388.82 | 47617.67 |
| 1. Other Operational Income | 720.01 | 806.98 |
| 1. Other Income | 1616.03 | 1121.71 |
| Total Revenue | 40724.86 | 49546.36 |
| 1. Expenses |  |  |
| Cost of material consumption, erection and engineering expenses | 22099.08 | 27899.37 |
| (Increase)/Decrease in WIP & Finished Goods | 1057.40 | 116.21 |
| Employee Benefit Expenses | 5933.78 | 5752.78 |
| Finance Costs | 132.63 | 125.27 |
| Depreciation & Amortization Expenses | 982.92 | 953.39 |
| Other expenses of manufacture, administration, selling & distribution | 3308.50 | 3776.56 |
| Provisions [net] | 2258.70 | 1565.77 |
| Less : Cost of Jobs done for internal use [capitalized] | 68.46 | 75.87 |
| Total Expenses | 35704.55 | 40113.48 |
| 1. Profit Before Prior Period Adjustments, exceptional items and tax | 5020.31 | 9432.88 |
| 1. Add/less: Prior period adjustments[net] | -6.01 | -0.44 |
| 1. Profit Before Tax | 5014.30 | 9432.44 |
| 1. Less: Tax Expense |  |  |
| Current Tax | 1911.00 | 2822.15 |
| Deferred Tax | -357.48 | -4.44 |
| Total Tax | 1553.52 | 2817.71 |
| 1. Profit for the year | 3460.78 | 6614.73 |
| 1. Number of outstanding Equity shares | 244.75 crores | 244.75 crores |

E**xhibit 5: Standalone Balance Sheet of BHEL [2013& 2014] [Amount in Rs Crores]**

|  |  |  |
| --- | --- | --- |
| Particulars | Year ending 31st March 2014 | Year ending 31st March 2013 |
|  |  |  |
| Equity and Liabilities |  |  |
| 1. Shareholders’ funds |  |  |
| + Share Capital | 489.52 | 489.52 |
| + Reserves & Surplus | 32557.53 | 29954.58 |
| **Total Shareholders’ funds** | **33047.05** | **30444.10** |
| 2. Non-Current Liabilities |  |  |
| [a] Long Term Borrowings | 104.77 | 129.20 |
| [b] Other Long term liabilities | 6600.17 | 5789.68 |
| [c] Long term provisions | 7496.43 | 5944.02 |
| **Total Non-Current Liabilities** | **14201.37** | **11862.90** |
| 1. Current Liabilities |  |  |
| [a] Short term borrowings | 2550.00 | 1286.00 |
| [b] Trade Payables | 8719.02 | 9675.18 |
| [c] Other Current Liabilities | 11444.14 | 13862.37 |
| [d] Short term provisions | 2829.59 | 2998.11 |
| **Total Current Liabilities** | **25542.75** | **27821.66** |
| **Total of Equity & Liabilities** | **72791.17** | **70128.66** |
|  |  |  |
| Assets |  |  |
| 1. Non-Current Assets |  |  |
| [a] Fixed Assets |  |  |
| + Tangible Assets | 4525.13 | 4314.67 |
| + Intangible Assets | 167.81 | 143.82 |
| +Capital work-in-progress | 622.01 | 1133.51 |
| +Intangible assets under development | 20.11 | 38.08 |
| **Total Fixed Assets** | **5335.06** | **5630.08** |
| [b]Non-Current Investments | 420.17 | 429.17 |
| [c]Deferred Tax Assets [Net] | 1968.95 | 1550.69 |
| [d]Long Term Loans & Advances | 1167.14 | 905.54 |
| [e] Other non -current Assets | 11881.07 | 10653.72 |
| **Total of [b,c,d& e above]** | **15437.33** | **13539.12** |
| 1. Current Assets |  |  |
| [a] Inventories | 9797.55 | 11763.82 |
| [b] Trade Receivables | 28071.92 | 29234.49 |
| [c] Cash and Bank balance | 11872.93 | 7732.05 |
| [d] Shortterm Loans & Advances | 2023.86 | 2029.12 |
| [e] Other Current Assets | 252.52 | 199.98 |
| **Total Current Assets** | **52018.78** | **50959.46** |
| **Total Assets** | **72791.17** | **70128.66** |

**Q5.** Analyze the performance of BHEL based on the profitability and liquidity ratios [most relevant three ratios in each category]. Is the company's performance improving in the year 2014 compared to its previous year?

**(6+1= 7 marks)**

**Q6.** How would you measure the overall efficiency of BHEL? (Note: The question asks to measure efficiency using the efficiency ratios.)

**(3 marks)**

**Good luck!**