**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIRST TRIMESTER (Batch 2019-21)**

**END TERM IMPROVEMENT EXAMINATION, NOVEMBER-2019**

|  |  |  |  |
| --- | --- | --- | --- |
| Course Name | **Accounting Fundamentals** | Course Code | **FIN101** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:** All the questions are compulsory.

**Q1**. Following is the information of a company which manufactures components of computer. Management of the company is worried about the ROE of the company, as despite earnings higher profits as compare to previous years, the company ROE is declining. You are hired as an advisor of the company and management asked you to analyze the data and give reasons for the declining ROE.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs (in millions) Rs (in millions) Rs (in millions) | | |
|  | **2017** | **2016** | **2015** |
| Profit After Tax | 2,960 | 2,440 | 1,700 |
| Sales | 7,920 | 6,480 | 4,400 |
| Fixed Assets | 7,120 | 6,160 | 4,880 |
| Current Assets | 12,680 | 9,120 | 4,800 |
| Shareholder’s Fund | 12,480 | 6,760 | 3,880 |

**(8 Marks)**

**Q2.** Zeenat Pvt Net has provided the following statistics related to the previous financial year: Profit Margin 7% ; Current Ratio 2.5; Net Sales Rs. 6,00,00,000; Current Liabilities Rs.35,00,000; Tax Rate- 30%; Interest Expense Rs.18,00,000; Return on Equity- 20%; No. of Outstanding Shares- 2,10,000; Long term Debt Rs.2,75,00,000; Debtors Rs.30,00,000; Market Price of the Share Rs.120. Making use of the given data calculate the following:

(i) PAT

(ii) Operating Profit Margin

(iii) Current Assets

(iv) Interest Coverage Ratio

(v) Shareholder’s Equity/Net Worth

(vi) Book Value Per Share

(vii) Average Debt Collection Period

(viii) Earning Per Share

(ix) Liability to equity Ratio (where Liability includes Long term Debt & Current Liabilities)

(x).Price Earning Ratio **(12 Marks)**

**Q3**. The following is the trial balance of Parekh Brothers as on 31st March 2018:

|  |  |  |
| --- | --- | --- |
| Particulars | Dr. | Cr. |
| Printing and stationary  Opening stock  Drawings and Capital of Mr Parekh  Purchases and Sales  Personal accounts  Plant and Machinery  Building Repairs  Goods returned  Discount  Interest on bank overdraft  Wages, Cartage and octroi  Salesmen’s travelling expenses  Bad debts and Provision for bad debts  Salary  Insurance, rates and taxes  Cash and bank balance | 500  30,000  10,000  60,000  55,000  40,000  40,000  500  1,000  220  80  5,200  600  400  5,000  1300 | -  -  89,000  1,20,000  37,000  -  -  -  500  600  -  -  -  1,900  -  800 |
| 2,49,800 | 2,49,800 |

Adjustments:

1. The closing stock is valued at Rs.20,000 which includes damaged goods worth Rs.4,000 which is estimated to realize Rs.2,000.
2. Depreciate plant and machinery at 10% p. a and building by 10 % p.a.
3. Rs. 100 is outstanding for salaries, while insurance includes prepaid Rs 100.
4. Create a provision at 5% for doubtful debts.

From the above information, prepare Income Statement and Balance Sheet for the year ended 31st March 2018.  **(12 Marks)**

**Q5**. Jet Airways is a major Indian airline based in Mumbai. It is the second largest airline in India, both, in terms of market share and passengers carried, after IndiGo. It operates over 3000 flights daily to 74 destinations worldwide. The company was formed in 1993 and enjoyed market dominance in initial years. You are provided with the cash flow statement of the company.

Questions for Discussion

1. The company suffered huge losses in 2014 and 2015, however its cash flow from operating activities were positive. Identify and discuss the main reasons for the same.
2. Identify and analyse the major changes in investing and financing activities during the two years.
3. Based on your findings of a) and b) explain if the company has witnessed an improvement or deterioration its performance.

**(2+2+4 = 8 Marks)**





