**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

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

**END TERM EXAMINATION, SEPTEMBER-2019**

**Set 1**

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

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

**Q1**. Mr. Aman and Mr. Yash operate as estate agents in Mumbai. When their accountant retired, Aman decided to take over the financial aspect of the business. While updating records, Aman was unsure about the treatment of a number of transactions:

* 1. One month before the end of the financial year April 2017-March 2018, Aman sent a cheque for Rs. 6,000 to the landlord to cover the payment of rent for the next 12 months. Aman decided not to record this payment because most of it was for the next financial year.
  2. The company purchased a new computer for Rs. 24,000. However, two months after the purchase, Yash noticed that same computer was available in the market for Rs. 28,500. Now Aman is not sure which value to record.

You are required to explain how Aman should treat each of the above transactions according to the appropriate accounting concepts.  **(2.5 Marks \* 2 = 5 Marks)**

**Q2**. Jindal Associates bought a printing press on 1 April 2007 at a cost of Rs. 6 million. The management estimated the useful life of the press to be 10 years with a residual value of Rs. 4,00,000. The machine was depreciated using SLM till 2012-13. On 1 April 2013, based upon a technical review of the press, the management incurred a cost of Rs. 10,00,000 for overhauling the press. It is estimated that after overhauling the press will be useful for coming eight years and will have a residual value of Rs. 2,00,000.

1. Discuss how the overhauling cost should be treated.  **(2 Marks)**
2. Also calculate the revised annual depreciation.  **(3 Marks)**

**Q3**. 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)**

**Q4**. 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.  **(10 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.

**(4+4+4 = 12 Marks)**





