Roll No. ______________________

(Do not write anything on question paper except Roll No.)

[This paper consists of FIVE Pages]

Jagan Institute of Management Studies

End-Term Examination, April, 2017

Trimester III – PGDM 2016-18

Financial Statement & Analysis

ET_PG_FSA_1904

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 Attempt any **FOUR** of the following:

a) Write a note on AS – 9 relating to revenue recognition.

b) Explain the terms – 'Extraordinary items' and 'Exceptional items'. Also give three examples of each.

c) Explain Basic EPS and Diluted EPS as per AS – 20. Also give an example to distinguish between the two.

d) What do you mean by 'deferred tax asset' and 'deferred tax liability'? Explain with an example as to how does it impact the tax expense of the company to be charged in the Statement of Profit and Loss?

e) According to AS – 12, when the government grant is recognized? Distinguish between the accounting treatment of revenue nature grants and the grants related to depreciable fixed assets.

f) Explain the terms – market capitalisation, dividend payout ratio and earnings yield. **24**

Q 2 Attempt any **TWO** of the following:

a) Excel limited is in the export business. Company exported the goods with an invoice value of US dollar 50,000. On the date of transaction, the value of one dollar was Rs. 65. The customer is given a 30 days credit to make the payment. The payment was duly received from the customer on due date. The exchange rate of dollar on the date of receipt was Rs. 64. How the transaction will be recorded? Also show the impact of change in exchange rate in the P&L account.

b) On December 1st 2011, the company purchased a land cost Rs.4,00,000 for a factory site. It razed an old building on the property and sold the materials it salvaged from the demolition. The company incurred additional costs and realized salvage proceeds during December 2011 as follows:

Demolition of old building	Rs. 50,000
Legal fees for purchase contract and recording ownership	Rs. 10,000
Title guarantee insurance	Rs. 12,000
Proceeds from sale of salvaged materials	Rs. 8,000

c) RK Ltd. received a specific grant of Rs.300 lakhs for acquiring the plant of Rs.1,500 lakhs during 2009-2010 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2012-2013 and due to non-compliance of conditions laid down for the grant of Rs.300 lakhs the company had to refund the grant to the Government. Balance in the deferred income on that date was Rs.210 lakhs and written down value of plant was Rs.1,050 lakhs.

i) What should be the treatment of the refund of the grant and the effect on cost of the fixed asset and the amount of depreciation to be charged during the year 2012-13 in profit and loss account?

ii) What should be the treatment of the refund if grant was deducted from the cost of the plant during 2009-2010? **10**

Q 3 Attempt **any two** of the following:

a) According to AS – 16, which borrowing costs are capitalized and which are treated as revenue expenditure?

b) GMR Corp had outstanding equity shares 50,00,000 on 31.03.2016. Net profit for the year is Rs.1,00,00,000; GMR Corp had 12%, 100,000 convertible debentures outstanding of 100 each to be converted into 10 equity shares. Tax rate is 30%.

Calculate (i) Basic EPS and (ii) Diluted EPS.

c) Raw material was purchased at Rs.100 per kg. Price of raw material is on the decline. 10,000 kgs. of raw material is in stock at the year-end. Replacement cost is Rs.80 per kg. How will you value the inventory when

i) The finished goods in which the raw material is incorporated are expected to be sold at below cost and

ii) The finished goods in which the raw material is incorporated are expected to be sold above cost. **10**

Q 4 a) What do you mean by 'Common Size' and 'Indexed' financial statements? Why do analysts prepare these statements?

b) Explain the following:

i) Return on Investment.

ii) Price-Book Value ratio **10**

Q 5 a) From the following information, calculate the cash flows from operating activities:

Profit & Loss Account For y/e 31st March 2016

Opening stock	36,000	Sales	3,60,000
Purchases	2,25,000	Closing stock	51,000
Salaries	30,000		
Rent	15,000		
Depreciation	45,000		
Net profit	60,000		
	4,11,000		4,11,000

Additional information:

Balances	01-04-2015	31-03-2016
Debtors	30,000	42,000

Creditors	21,000	15,000
Salaries outstanding	3,000	4,500
Prepaid rent	3,000	3,000

b) Compute the cash and cash equivalents of Hindustan Unilever Ltd. from the following information for the year ended 31st march 2016**:**

Particulars	**Amount (Rs.)**
(1) Bank balance in current account with PNB	1,00,000
(2) Investment in the shares of ITC Ltd.	50,000
(3) Fixed deposits with original maturity less than 3 months	2,00,000
(4) Investment in 5 years government bonds maturity due in year 2020	2,00,000
(5) Investment in the shares of a subsidiary company	1,50,000
(6) Investment in debt mutual funds	1,00,000
(7) Investment in unquoted bonds	25,000
(8) Investment in 6% (Tax-Free) Indian Railway Finance Corporation Bonds maturity due in 2018	75,000

10

Q 6 From the following trial balance and additional information, you are required to prepare the statement of profit and loss and a balance sheet as per schedule III of The Companies Act 2013.

Trial Balance of R.K. Limited as on 31st March 2015

Particulars	***Debit***	***Credit***
Share capital (1,20,000 equity shares @ Rs. 10 each)		10,00,000
General Reserve		7,00,000
Calls in Arrears (20,000 shares @ Rs. 5 each)	1,00,000	
Unclaimed Dividend		23,052
Sundry Creditors		1,63,716
Building at Cost	3,00,000	
Purchases	12,01,806	
Sales		21,67,894
Manufacturing Expenses	5,18,000	
Salaries	83,628	
General expenses	32,156	
Machinery at cost	4,00,000	
Motor Vehicles at cost	60,000	
Furniture at cost	10,000	
Opening stock	3,44,116	
Sundry debtors	4,46,760	
Investments	5,77,900	
Provision for depreciation (01.04.2014)		
Machinery		1,10,000
Building		50,000
Motor Vehicles		20,000
Furniture		14,000
Advance income tax (2013-14)	1,20,000	
Advance income tax (2014-15)	1,05,000	
Cash at bank	1,44,480	
Directors fees	3,600	

Interest on investments		17,088
Profit and Loss account		91,696
Provision for income tax		90,000
	44,47,446	44,47,446

Additional information:

i) Stock in hand on 31st March 2015 was Rs.1,97,360

ii) Provide depreciation on fixed assets at original cost at the following rates: Plant & Machinery: 10%, Motor Vehicles: 20%, Furniture: 10% and Building: 2%.

iii) Interest accrued on investments Rs.5,500.

iv) Provision for doubtful debts at 2%.

v) Provision for tax for the current year to be made at 1,20,000.

vi) Salary for the month of March 2015 is outstanding Rs.4,800.

vii) General expenses include insurance paid amounting to Rs. 8,000 for the period 1st January 2015 to 31st December 2015.

viii) The board of directors has proposed transfer of Rs.40, 000 to general reserves and dividend on equity shares at 4%. **10**

Q 7 Apollo Tyres Ltd is the world's 17th biggest tyre manufacturer, with annual consolidated revenues of Rs 117.1 billion (US$1.8 billion) in March 2016. It was founded in 1972. Its first plant was commissioned in Perambra, Thrissur, Kerala, India. The company now has four manufacturing units in India, and 1 in Netherlands.[4] It has a network of nearly 5,000 dealerships in India, of which over 2,500 are exclusive outlets. It gets 69% of its revenues from India, 26% from Europe and 5% from other geographies. Apollo announced its entry into the two-wheeler tyre segment with contract manufacturing in March 2016.

Apollo Tyres Ltd

Profit & Loss a/c as on year…	**FY2015**	**FY2016**
Revenue from Operations:		
Gross Sales	137,247.03	127,107.69
Less : Excise Duty	9,990.04	10,029.73
Net Sales	127,256.99	117,077.96
Other Operating Income	595.49	852.28
Other Income	537.99	700.38
Total Revenue	128,390.47	118,630.62
Expenses :		
Cost of Materials Consumed	63,884.39	53,628.60
Purchase of Stock-in-Trade	5,869.17	6,057.54
Work in Process & Stock-in-Trade	874.65	-51.82
Employee Benefits Expense	16,070.38	15,869.60
Finance Costs	1,827.90	915.55
Depreciation & Amortization expense	3,882.88	4,238.89
Other Expenses	21,847.93	22,743.93
Total Expenses	114,257.30	103,402.29
Profit before Exceptional Items and Tax	14,133.17	15,228.33
Exceptional Items	824.9	477.71
Profit before Tax	13,308.27	15,706.04
Tax Expenses		

Net Current Tax Expense	3,534.99	4,318.77
Deferred Tax	-2.81	457.08
Net Tax Expenses	3,532.18	4,775.85
Profit for the year	9,776.09	10,930.19

Balance sheet as on year…..	**FY2015**	**FY2016**
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	509.09	509.02
Reserves and Surplus	49,913.88	61,313.07
Non-current Liabilities		
Long-term borrowings	3,339.39	6,095.73
Deferred tax liabilities (Net)	5,208.95	5,961.75
Other Long-term liabilities	72.68	681.31
Long term provisions	1,259.77	1,337.16
Current Liabilities		
Short-term borrowings	4,666.36	7,400.93
Trade payables	8,640.17	15,457.80
Other current liabilities	6,624.66	5,558.94
Short-term provisions	5,915.89	6,693.10
	25,847.08	35,147.75
TOTAL	**86,150.84**	**111,045.79**
ASSETS		
Non-current Assets		
Fixed Assets		
- Tangible assets	41,588.47	41,092.03
- Intangible assets	1,096.33	2,199.29
- Capital work-in-progress	2,182.06	9,749.82
Goodwill on Consolidation	1,165.13	4,711.40
Non-current investments	470.27	9.26
Deferred tax assets	296.95	405.92
Long-term loans and advances	1,907.37	7,447.62
Other non-current assets	360.18	
Current Assets		
Current investments	1,000.00	1,216.35
Inventories	17,782.06	19,454.31
Trade receivables	9,589.43	10,843.48
Cash and bank balances	5,945.90	5,941.99
Short-term loans and advances	2,390.73	6,886.37
Other current assets	375.96	1,087.95
TOTAL	**86,150.84**	**111,045.79**

You are required to

a) Re-arrange both the financial statements and **10**

b) Taking the figures of FY 2016, comment on the financial performance of the company based on

i) Return on Investment Ratio
ii) Return on Equity Ratio
iii) Debt Equity Ratio
iv) Total Debt Ratio
v) FA-LTD Ratio
vi) Interest coverage ratio. **6**

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