

Semester: June – October 24		
Maximum Marks: 50	Examination: ETE Exam	Date: 8/11/2024
Duration: 2Hrs		
Programme code: 01	Class: FY	Semester: 1
Programme: MBA		
College: K. J. Somaiya Institute of Management	Name of the department/Section/Center: Finance	
Course Code: 317P01C105	Name of the Course: Financial Reporting and Analysis	
Instructions: 1) Question 1 and 2 are compulsory. 2) Solve either any 2 questions from Section A OR any 2 questions from Section B		

Question No.		Max. Marks
Q.1	<p>Samudra Vihar Marina, a picturesque waterfront establishment located in the bustling coastal town of the Kokan region, was facing financial turbulence. Despite its prime location and loyal customer base, the marina had been struggling to maintain profitability. The owners, seeking to understand the underlying issues, decided to enlist the help of a team of MBA students to conduct a comprehensive financial analysis.</p> <p>Samudra Vihar Marina, nestled along the picturesque coastline of the Kokan region, was a bustling hub of nautical activity. Boats of all shapes and sizes bobbed in the harbor, while visitors enjoyed the waterfront views and delicious food from the marina's restaurant. However, beneath the idyllic surface, the marina was facing financial challenges that threatened its future.</p> <p>The owners of Samudra Vihar Marina had gathered the marina's financial data for the fiscal year ending March 31, 2024, to better understand the business's performance. They knew that a thorough analysis would help them identify areas for improvement and make informed decisions about the marina's future.</p> <p>The annual revenue was generated from various sources, including boat rentals, slip fees, fuel sales, and other income such as concessions and repairs. Boat rentals accounted for 500 boats rented at an average rate of ₹5,000 per boat. Slip fees for 100 slips were rented at ₹1,800 per slip per month for a total of 12 months. Fuel sales accounted for 10,000 gallons sold at ₹120 per gallon. Other sources of income, such as concessions and repairs, totaled ₹140,000. The cost of goods sold for Samudra Vihar Marina includes the cost of fuel, food and beverages, and maintenance supplies. The marina purchased 10,000 gallons of fuel at ₹100 per gallon, spent ₹300,000 on food and beverages, and incurred ₹150,000 in maintenance supplies.</p> <p>Samudra Vihar Marina's operating expenses totaled ₹3,600,000. Out of which, the largest expense was for its staff, including dockhands, maintenance workers, and restaurant staff, amounting to 41.67%. The marina paid a significant amount towards rent for its facilities and utilities, such as electricity, water, gas, and other services, totaling 19.44%. Insurance premiums for property damage, liability, and workers' compensation amounted to 13.89%. The marina invested in promoting its services through print advertising, online marketing, social media, and promotional events (5.56%). The marina incurred costs for repairs and maintenance of its boats, docks, and equipment (5.56%). Miscellaneous expenses such as legal fees, accounting fees, professional fees, and other costs made up the remaining portion of the operating expenses.</p> <p>As of March 31, 2024, Samudra Vihar Marina had assets comprising of current assets such as accounts receivable, inventory, and prepaid expenses, totaling ₹900,000. The marina also owned Property, Plants, and Equipment, including boats, docks, and equipment, with a total net book value before depreciation of ₹3,600,000.</p> <p>On the liabilities side, the marina had current liabilities of ₹400,000, consisting of accounts payable and accrued expenses. Additionally, it had a long-term liability of ₹1,000,000 in the form of a bank loan carried forward from earlier years. The equity of Samudra Vihar Marina totaled ₹3,100,000, comprising common stock of ₹2,000,000 and retained earnings of ₹1,100,000.</p> <p>The marina's depreciation policy for boats, docks, and equipment is straight-line over 10 years. Bank loans have an interest rate of 8% per</p>	15

annum.

Based on the above, prepare an income statement and balance sheet for Samudra Vihar Marina for the year ending March 31, 2024.

Q.2

15

Calculate the following ratios and write your analysis for the same:

1. Current Ratio
2. PE ratio
3. Debt Equity Ratio
4. Stock turnover ratio,
5. Debtors turnover ratio
6. Gross profit ratio
7. EPS

(₹ in lakhs)

Particulars	2023	2024
Sales	1065	1250
Debtors	350	400
Operating Expenses	120	150
Bills receivable	100	120
Stock	125	140
Bank Overdraft	180	195
Cost of goods sold	650	725
Equity (face value Re 2 per share)	250	250
Interest paid	12	15
Creditors	150	160
Long term loans	120	150
Tax paid	10	15
Prepaid expenses	20	25
Bills Payable	65	80
Market price per share	600	800

Q.3

10

SECTION "A"

	<p>State with reasons whether the following transactions are Capital or Revenue in nature</p> <ol style="list-style-type: none"> 1. Ash Ltd spent ₹500,000 on purchase of Car and spent 30,000 on Car Insurance. 2. Electricity bill paid amounted to ₹1,20,000 for the month 3. The company sold its existing machinery and received ₹174,000 4. Received ₹ 25000 as commission from sale of goods. 5. The company spent ₹ 2 crore on IPO expenses such as fees to Registrars, Underwriters, Bankers Etc' 	
<p>Q.4</p>	<p>ABC Ltd., a manufacturing company, deals with large-scale production, requiring heavy machinery to support its operations. The company has been consistently upgrading and replacing its machinery to enhance production efficiency. Below are the details of machinery purchases and disposals made by ABC Ltd. from January 1, 2022, to September 1, 2024. The company follows the written down value (WDV) method of depreciation at 10% p.a. Prepare a statement for depreciation calculation in vertical format for 4 years starting from April 1st, 2021 and calculate profit or loss on sale of the machines.</p> <p>Machinery Purchase and Sale Details:</p> <ul style="list-style-type: none"> ● Machine 1: <ul style="list-style-type: none"> ○ Purchase Date: 1st January 2022 ○ Purchase cost: Rs. 5,00,000 ○ Installation Charges: Rs. 50,000 ○ Repair charges : Rs 1500 (paid in October 2022) ○ Sale Date: 1st July 2023 ○ Sale Price: Rs. 3,00,000 ● Machine 2: <ul style="list-style-type: none"> ○ Purchase Date: 1st July 2022 ○ Purchase cost: Rs. 4,00,000 ● Machine 3: <ul style="list-style-type: none"> ○ Purchase Date: 1st September 2024 ○ Purchase cost: Rs. 6,00,000 	<p>10</p>
<p>Q.5.</p>	<p>Write short notes on: (Any Two)</p> <ol style="list-style-type: none"> 1. Debentures and Bonds 2. Explain: EBIDTA, EBT, and EAT 3. Explain types of fixed assets. 	<p>10</p>
<p>Q.6.</p>	<p style="text-align: center;">SECTION “ B”</p> <p>Classify each of the following cash flow items as either an operating, investing, or financing activity.</p> <ol style="list-style-type: none"> 1. Payment of dividends to shareholders: ₹1,000,000 2. Purchase of a new factory: ₹5,000,000 3. Cash received from customers: ₹2,000,000 4. Issuance of new bonds: ₹10,000,000 5. Payment of interest on loans: ₹200,000 	<p>10</p>

	<p>6. Sale of a piece of equipment: ₹500,000</p> <p>7. Purchase of inventory: ₹1,500,000</p> <p>8. Repayment of long-term debt: ₹3,000,000</p> <p>9. Cash paid for taxes: ₹500,000</p> <p>10. Cash received from the sale of a building: ₹2,000,000</p>	
<p>Q.7.</p>	<p>Indicate the effect of the following transactions on the accounting equation.</p> <ul style="list-style-type: none"> ● A company started business with ₹10,000 in cash and ₹5,000 in equipment. ● The company purchases goods worth ₹3,000 on credit. ● The company sells goods worth ₹4,000 for cash. ● The company pays ₹1,000 in rent. ● The company receives ₹2,000 in advance payments for services. ● The company borrowed ₹5,000 from a bank. ● The company repaid ₹2,000 of the loan. ● The company paid ₹500 in dividends. ● The company earns ₹1,000 in interest income. ● The company purchased a new computer for ₹2,000 on credit. 	<p>10</p>
<p>Q.8</p>	<p>Write short notes on (Any 2)</p> <p>a) Explain Accrual concept and Realization concept in Accounting</p> <p>b) Equity shares and Preference shares - Explain</p> <p>c) Explain importance of Ratio Analysis</p>	<p>10</p>