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| **Semester: Sept – Dec 23****Maximum Marks: 50 Examination: End Term Exam Date: 14-12-23 Duration:03 hrs** |
| **Programme code: 08****Programme: MBA Executive** | **Class:** FY | **Semester/Trimester: I** |
| **College:**  **K. J. Somaiya Institute of Management** | **Name of the department/Section/Center:** Finance & Law |
| **Course Code: 217P08C104**  | **Name of the Course: Financial Reporting & Accounting Standard** |
| **Instructions: 1. Question no 1 is compulsory.** **2. Solve any three of the remaining questions.** **3. All calculations should be the part of answer** |

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| **Question No.** |  |  **Max.****Marks** |
| 1. | Mehul India was set up in 1990 at Ahmedabad for adopting, producing, and installing high-capacity windmills in India on a turnkey basis. Indian affiliate of Mehul International was planned due to increased emphasis by the Government of India on generation of electricity from non-conventional and renewable sources. The turnover of the company increased rather slowly due to sluggish acceptance of the concept of energy from wind. However, the remained a profitable venture right from the beginning due to government subsidies.The turnover during 2009-2010(part year) was 60 lakhs. This rose to 80 lakhs for the following year 2010-2011(full year). The company was stagnating at Rs 5-6 crores turnover during the 2012-2016 period. The following year proved very useful for Mehul (India). Its turnover jumped to Rs 51.870 crores in 2017-18 registering a massive growth. Unfortunately, the year 2018-19 proved to be worst year in the history of Mehul (India). The company had to bear a loss of Rs 66.08 lakhs and turnover tumbled by Rs 9.433 crores. There were two reasons for this situation-1. The state of Gujrat in general and the city of Ahmedabad in particular had to face severe disturbed conditions necessitated the closing of production work for 72 days.
2. The company had won a contract for installing windmills for the use of Indian Air force in the state of Jammu & Kashmir at the hill peaks. Here again, the disturbed conditions resulted in delays and holding up of the payments. Mehul (India) had to increase the working capital through bank borrowing and issuing 13.5% non-convertible bonds.

Both these factors have been beyond the control of the personnel of the company, resulting in a net loss of Rs 66.08 lakh during the year 2018-19. Nevertheless, the company manage to declare a dividend, increase its gross block and work in progress.Mr S K Oberoi, the Managing Director of the company was trying to understand the mysteries of the financial statements late one night at his home. He had brought with him the following financial statements for the year 2017-18 and 2018-19. (See Appendix A and B)Mr S K Oberoi received a call from the Chairman of Mehul International to meet him in Tokyo regarding the financial performance if the company. The meeting had been fixed for the next week, but the Chairman wanted him to pre-pone and leave immediately. Oberoi realized that he would have no time to collect additional data and catch the flight the following morning. Fortunately, his Visa, foreign exchange and other formalities had been taken care of earlier. Mr Oberoi decided to make notes for the meeting.Assume any data you may need beside that given at the appendixes. The assumed data should be in line with the figures given in the narrative. Cast yourself in the role of the Managing Director and make notes needed for the briefing the Chairmen, who is not a finance personnel. (Use ratio analysis technique to make notes and interpret that so a non-finance person can also understand easily)**Appendix A****Data from the Balance Sheet for 2017-18 and 2018-2019 of Mehul (India)****(All figures in lakh)**

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| --- | --- | --- |
| **Item** | **2017-18** | **2018-19** |
| **Assets** |  |  |
| Gross block | 1153.70 | 1244.22 |
| * Depreciation
 | 433.63 | 508.77 |
| Net block | 720.07 | 735.45 |
| Work in progress | 72.77 | 136.03 |
| Investments | 29.69 | 31.96 |
| Inventories | 1861.71 | 1992.14 |
| Debtors | 1981.70 | 1617.96 |
| Cash & bank holdings | 86.61 | 86.28 |
| Other current assets | 27.17 | 47.60 |
| Loan & advances  | 281.57 | 231.86 |
| **Total Assets** | **5061.29** | **4879.28** |
| **Liabilities** |  |  |
| Shareholder’s funds |  |  |
| Capital | 440 | 440 |
| Reserve and Surplus | 867.31 | 755.81 |
| Debentures | - | 100 |
| Long term loans  | 332.49 | 245.95 |
| Bank loan | 570.29 | 928.29 |
| Loan on fixed deposits | 564.49 | 583.07 |
| Sundry creditors | 1342.55 | 1074.68 |
| Advances short term | 623.73 | 641.75 |
| Provision for tax | 249 | 74.30 |
| Proposed dividend  | 71.43 | 35.43 |
| **Total liability** | **5061.29** | **4879.28** |

**Appendix B****Data from Profit & Loss Accounts for the year 2017-18 and 2018-2019 for Mehul (India)**

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| --- | --- | --- |
| **Item** | **2017-18** | **2018-19** |
| Sales | 5187.03 | 4243.70 |
| * Taxes/duties
 | 311.04 | 259.02 |
| **Net Sales** | 4875.99 | 3984.68 |
| Expenses |  |  |
| Materials & installation | 3102.91 | 2598.81 |
| Manufacturing  | 244 | 199.34 |
| Depreciation | 54.69 | 75.61 |
| Administration  | 701.08 | 683.94 |
| Sales commission | 180.71 | 148.30 |
| Miscellaneous | 158.87 | 150.98 |
| Total operating expenses | 4442.26 | 3856.98 |
| Income from sales | 433.73 | 127.7 |
| Miscellaneous income  | 169.75 | 141.38 |
| **EBIT** | **603.48** | **269.08** |
| * Interest
 | 253.96 | 337.14 |
| Profit before Tax | 349.52 | (68.06) |
| Tax provision | 157.62 | 1.98\*\* |
| **Net profit/ loss** | **191.90** | **(66.08)** |

 \*\* Previous year’s adjustment  | 14 |
| 2.  | The excerpts from the profit and loss account of MG Retails Ltd for the last two years are given below-

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2019 (Rs in million)** | **2020 (Rs in million)** |
| Sales | 230 | 440 |
| Cost of goods sold | 135 | 280 |
| Operating Expenses | 26 | 35 |
| Depreciation | 15 | 20 |
| Interest | 25 | 40 |
| Profit before tax | 29 | 65 |
| Tax | 9 | 20 |
| Profit after tax | 20 | 45 |

You are required to.1. Calculate the year-on-year growth of sales and net profit.
2. The growth of profit has exceeded the growth sales. Identify the reasons by using suitable profitability and expenses ratio.
 | 12 |
| 3. | Amar, Akbar, Anthony and Amarpreet were four school time friends. After passing from school, the four met with each other and discussed their future plans. All four were sure that they would take up doing business after finishing their graduation.Amar was very ambitious and always thought of growing fast and managing a large business empire. He was contemplating the setting up of a retail chain of beauty parlors across the country (replicating the McDonald model). Akbar never believed in such large dreams and had always believed in being self-reliant. Akbar was planning to start a sponge iron unit. Anthony always believed in being a team member. He was planning to start an event management firm. Amarpreet, being a doctor by profession, believed in serving the people and hence planned to run his own hospital with help of his professional group of friends.Required:(a) Suggest the type of business entity that would fit the profile of everyone. Give your reasons.(b) In the given case, should the type of business being taken up influence the type of business entity? Discuss.(c) What other factors do you think are essential while deciding on the type of business entity? | 12 |
| 4 | Classify the following items into current assets, fixed assets, proprietary funds, and current liabilities and prepare a balance sheet for Dilli Durbar Company as on March 31, 20X1:

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| --- | --- | --- | --- |
| **Item** | **Amount ₹** | **Item** | **Amount ₹** |
| Land | 2,50,000 | Electricity Payable | 2,000 |
| Building | 1,00,000 | Sundry Debtors | 40.000 |
| Plant & machinery | 50,000 | Bills Payable | 60,000 |
| **Closing Stock:** | Insurance Charges | 1,00,000 |
| Raw Material | 15,000 | Marketable Securities | 60,000 |
| Work in Progress | 10,000 | Cash In Hand | 25,000 |
| Finished Goods | 25,000 | Cash at Bank | 35,000 |
| Salary Payable | 15,000 | Profit for the Year | 30,000 |
| Wages Payable | 13,000 | Sundry Creditors | 1,10,000 |

Additional Information:* Provide for depreciation on plants and machinery at the rate of 10% per annum.
* Sundry debtors include ₹ 500 for goods supplied to a customer, who has become insolvent.
* Insurance charges for stock insurance are paid on September 30, 20X0.
 | 12 |
| 5 | Write short notes on any Three-1. Revenue recognition concept
2. Amortization of Intangible assets
3. Historical Cost Concept
4. International Financial Reporting System
 | 12 |
| 6 | Prepare a Cash Flow Statement from the following information given below, indicating the operating activities, investing activities and financing activities.

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| --- | --- | --- | --- |
| **Item** | **Amount in Rs** | **Item** | **Amount in Rs** |
| Net profit before tax | 30000 | Purchase of fixed assets | 1000 |
| Sale of fixed assets | 450 | Loss of foreign exchange | 600 |
| Profit on sale of fixed assets | 100 | Short term borrowings | 8400 |
| Depreciation | 9600 | Repayment of borrowings | 10000 |
| Dividend received | 400 | Opening cash balance | 1700 |
| Dividend paid | 1500 | Tax paid | 4750 |

 | 12 |