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| **Trim: Sep – Nov 24****Maximum Marks: 50 Examination: ETE Exam Date: 18-12-24 Duration: 3 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:** 317P08C103 | **Name of the Course:** Financial Accounting & Analysis |
| **Instructions: Solve any Five questions; all questions carry the same marks.**  |

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| **Question No.** |  |  **Max.****Marks** |
| 1 | Kellogg Company is the world’s leading producer of ready-to-eat cereal and a leading producer of grain-based convenience food such as frozen waffles and cereal bars. The following items were taken from its 2024 income statement and balance sheet. (All amounts are in millions)

|  |  |  |  |
| --- | --- | --- | --- |
| Retained earnings  | 5481 | Bonds Payable | 4835 |
| Cost of goods sold | 7184 | Inventory | 910 |
| Selling and Admin Expenses | 3390 | Sales Revenue | 12575 |
| Cash | 334 | Accounts payable | 1077 |
| Notes Payable | 44 | Common stock | 105 |
| Interest expenses | 295 | Income tax expense | 498 |

 Perform each of the following-* Identify whether the item is assets, liabilities, Stockholder equity, revenue, or Expense in each item.
* Prepare an income statement for Kellogg Company for the year ending 2024
 | 10 |
| 2 | The following information is available for the Lentin Repossessions Company as of 31 March of the Current year. **Comparative Balance Sheet (Rs in millions)**

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| --- | --- | --- |
| **Particulars** | **Current Year****(Rs in millions)** | **Previous year** **(Rs in millions)** |
| Cash | 15 | 10 |
| Accounts Receivables | 30 | 25 |
| Inventory | 75 | 75 |
| Prepaid Insurance | 10 | 15 |
| Net Property & Equipment | 400 | 315 |
| **Total Assets** | **530** | **440** |
|  |  |  |
| Accounts payable | 40 | 50 |
| Other current liabilities | 25 | 40 |
| Bonds payable | 75 | 150 |
| Equity share capital | 290 | 150 |
| Retained earnings | 100 | 50 |
| **Total liability & equity** | **530** | **440** |

**Income Statement of Current Year**

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| --- | --- |
| Particulars | Current Year  (Rs in millions) |
| Sales | 400 |
| Cost of goods sold | 210 |
| Gross profit | 190 |
| Operating expenses | 55 |
| Operating Income | 135 |
| Interest Expenses | 15 |
| Income before tax | 120 |
| Income tax expenses | 50 |
| Net Income after tax | 70 |

**Required to calculate and comment-** (a) Current ratio (b) Acid test ratio (c) Stock turnover (d) Debtors turnover (e) Gross profit ratio (f) Net profit ratio (g) Debt Equity ratio (h) Interest Coverage ratio (i) Rate of return on equity capital (j) Asset turnover ratio. | 10 |
| 3 | Write short notes on any Two-1. Revenue recognition concept
2. Accounting and type of Depreciation
3. Historical Cost Concept
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| 4 | The following balances were extracted from the books of M/S Dimple Ltd on the current year-

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Amount in Rs** | **Item** | **Amount in Rs** |
| Share capital | 10,00,000 | Machinery | 5,00,000 |
| Land | 8,00,000 | Bills Receivables | 2,00,000 |
| Building | 2,00,000 | Cash in hand | 50,000 |
| Debentures | 2,00,000 | Sundry Debtors | 1,50,000 |
| Bank Loan | 1,50,000 | Sundry Creditors | 1,00,000 |
| Profit (Current year) | 1,50,000 | Profit (Previous year) | 2,50,000 |

Prepare a balance sheet for the 31st March of the current year as per the format. | 10 |
| 5 | Sideways Ltd sells a single product and uses a periodic inventory system. The following information was extracted from the accounting records:

|  |  |
| --- | --- |
| Sales | Purchases |
| * 1500 units @ Rs 8.50
* 500 units @ Rs 10.00
 | * March 800 units @ Rs 4.75
* July 600 units @ Rs 5.50
* October 900 units @ Rs 6.00
 |

The firm's beginning inventory on 1st January totaled 300 units and Rs 1200.1. Compute Sideway’s ending inventory, cost of goods sold, and gross profit using the following inventory valuation methods- FIFO, LIFO, and Weighted average methods.
2. Which of the methods generates the most significant amount of inventory profit? Explain.
 | 10 |
| 6 | Ram Textile Ltd has provided the following data and is asking you to answer the following questions-* How liquid is Ram Textile Ltd?
* Is Ram Textile Ltd generating adequate operating profits from the firm’s assets?
* How is Ram Textile Ltd financing its assets?
* Are the equity shareholders receiving a good return on their investments?

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| --- | --- | --- | --- |
| **Ratios** | **Last year** | **Current Year** | **Industry average** |
| **Liquidity**  |  |  |  |
| Current ratio | 2 | 2 | 2 |
| Acid-test ratio | 1 | 2 | 1 |
| Accounts receivable turnover | 5 | 5 | 5 |
| Inventory turnover | 9 | 10 | 6 |
| Average collection period | 78 days | 77 days | 75 days |
| **Operating Profitability** |  |  |  |
| Operating income ROI | 19% | 21% | 10% |
| Operating profit margin | 17% | 17% | 8% |
| Total assets turnover | 1 | 1 | 1 |
| Fixed assets turnover | 3 | 4 | 4 |
| **Financing Decision** |  |  |  |
| Debt ratio | 46% | 45% | 58% |
| Interest coverage ratio | 15 | 16 | 4 |
| Return on equity | 21% | 23% | 12% |
|  |  |  |  |

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