



Name _____

Roll No. _____

INSTRUCTIONS

1. Closed book exam. Answer all questions.
2. Students cannot use laptop. Students cannot bring their mobiles inside exam room.
3. Each correct answer you get +0.5 mark; for every wrong answer you get –0.25 mark; and for every no attempt you get –0.25 mark.

You are not allowed to borrow books, papers, calculators, etc. All questions are fill in the blank questions – you are required to write the appropriate answer in the blanks provided.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

Please take XY as your roll number (also known as registration number) wherein X will be your first two digits of the roll number and Y will be your last digit of your roll number. We provide three different illustrations below:

- ✓ Suppose your roll number is h11119 then your X will be 11 and Y will be 9.
- ✓ Suppose your roll number is fb11002 then your X will be 00 and Y will be 2.
- ✓ Suppose your roll number is h11027 then X will be 02 and Y will be 7.

Case: Hazaar Maarya's Business [11% weightage]

Andher Nagari Chaupat Raja... Taka Ser Bhaja Taka Ser Khaja.

In the tax free economy of Andher Nagari, Hazar Maarya lived a leisurely retired life. But, his superb amazingly cute sweet fabulous pretty charming fantabulous glamorous incredible awesome brainy hazaar-beautiful enchanting blazing dynamic electric damsel darling wife, Jalebi-rani forced him to start a business. The transactions for the first accounting period are listed below:

- ◆ Hazar Maarya starts business with a capital of Rs XY¹. The business entity is called Hazar Maarya Limited.
- ◆ Loans Rs XY at an interest rate of 10% per accounting period
- ◆ Using the loan amount he purchases a Gubbare-wala machine i.e., Balloons blowing machine at Rs XY
- ◆ Purchases ten balloons on credit wherein each balloon is billed at Rs 0.XY per balloon
- ◆ He also rents a small road side space from the local political leaders at a rate of Rs X.Y per accounting period. But, he clearly displays his power by stating that he will pay the amount at a later point in time (as and when his business settles well).
- ◆ Sells eight balloons at Rs 1 per balloon. Two little customers, Rakshasa Mayavi and Arrogant King Vali promise to pay in the next accounting period.
- ◆ Decides to close the account book for the first accounting period. He also makes a provision for depreciation on machinery at 20% WDV basis for each accounting period (per Andher Nagari's accounting norms).

¹ where X and Y are your last three digits of your roll number as explained earlier.

Based on the discussion above, you are required to prepare the financial statements of Hazar Maarya Limited for period I.

Hazar Maarya Limited			
<i>Balance Sheet as at the end of first accounting period</i>			
Assets	(in Rs.)	Liabilities	(in Rs.)
Current Assets		Current Liabilities	
Cash & Bank Balances		Rent payable	
Sundry Debtors		Provisions	
Loans & Advances		Interest payable	
Inventories		Sundry creditors	
		Unearned revenue	
<i>total</i>		<i>Total</i>	
Fixed Assets		Long Term Liabilities	
Net Fixed Assets		Secured Loan	
		Unsecured Loan	
<i>total</i>		<i>total</i>	
Other Non-Current Assets		Shareholders' Funds	
Investments		Capital	
		Reserves & Surplus	
<i>total</i>		<i>total</i>	
Total Assets		Total Liabilities	

Hazar Maarya Limited	
<i>Income Statement as at the end of first accounting period</i>	
Item	(in Rs.)
Sales (Operating Revenue)	
Less: Cost of Goods Sold	
Gross Profit	
Less: Sales, General & Administrative Expenses	
EBITDA	
Less: Depreciation & Amortization Expenses	
<i>Operating Profit</i>	
Add: Other Income	
PBIT	
Less: Interest Expenses	
<i>Profit Before Tax</i>	
Less: Taxes	
Profit After Tax	
Less: Dividends / Withdrawals	
<i>Balance Carried to the Balance Sheet</i>	

Hazar Maarya carries on the good work in the second period. The transactions are listed below:

- ◆ Purchases ten balloons on credit wherein each balloon is billed at Rs 0.YX per balloon

- ◆ Sells ten balloons at Rs 2 per balloon. All the customers promise to pay in the next accounting period.
- ◆ After a lot of pursuance from his wife counselors and younger brother Sugreeva, arrogant King Vali pays up the dues against his name.
- ◆ After lot of cold calls and emails, Rakshasa Mayavi promises to pay in the next accounting period. Hazar Maarya does not have the confidence and decides to make a provision.
- ◆ Nasir ud-din Muhammad Humayun (Persian: نصير الدين محمد همايون; full title: Al-Sultan al-'Azam wal Khaqan al-Mukarram, Jam-i-Sultanat-i-haqiqi wa Majazi, Sayyid al-Salatin, Abu'l Muzaffar Nasir ud-din Muhammad Humayun Padshah Ghazi, Zillu'llah), the Mughal Emperor pays Rs 91 advance to Hazar Maarya Limited for delivery of thirty seven balloons in the next accounting period (to celebrate his next birthday).
- ◆ Daku Man Singh, the most legendary dacoit with a Tendulkar-ish track record of over 1,000 armed robberies, 185 murders, and countless ransom kidnappings made few enquiries into the accounting practices of the company. Daku Man Singh was involved in 90 police encounters and had killed over 32 policemen. His enquiries made the firm run for cover – while some thought that this was a case of a potential hostile takeover threat over the company others thought that he was being sent by Anna Hazare's team in their search for help.
- ◆ Like last time, Hazar Maarya Limited closes the books for the second accounting period. He also makes all the provisions as per Andher Nagari's prudent accounting norms. He makes use of FIFO method to value the inventory.

Based on the discussion above, you are required to prepare the financial statements of Hazar Maarya Limited for period II.

Hazar Maarya Limited			
<i>Balance Sheet as at the end of second accounting period</i>			
Assets	(in Rs.)	Liabilities	(in Rs.)
Current Assets		Current Liabilities	
Cash & bank balances		Rent payable	
Sundry debtors		Provisions	
Loans & advances		Interest payable	
Inventories		Sundry creditors	
		Unearned revenue	
<i>Total</i>		<i>Total</i>	
Fixed Assets		Long Term Liabilities	
Net Fixed Assets		Secured Loan	
		Unsecured Loan	
<i>total</i>		<i>total</i>	
Other Non-Current Assets		Shareholders' Funds	
Investments		Capital	
		Reserves & Surplus	
<i>total</i>		<i>total</i>	
Total Assets		Total Liabilities	

Hazar Maarya Limited	
<i>Income Statement as at the end of second accounting period</i>	
Item	(in Rs.)
Sales (Operating Revenue)	
Less: Cost of Goods Sold	
Gross Profit	
Less: Sales, General & Administrative Expenses	
EBITDA	
Less: Depreciation & Amortization Expenses	
<i>Operating Profit</i>	
Add: Other Income	
PBIT	
Less: Interest Expenses	
<i>Profit Before Tax</i>	
Less: Taxes	
Profit After Tax	
Less: Dividends / Withdrawals	
<i>Balance Carried to the Balance Sheet</i>	

- ◆ In case, the firm followed a LIFO method of inventory valuation then the profit of the company would be _____ and the closing inventory would be _____.
- ◆ In case, the firm followed a WAC method of inventory valuation then the profit of the company would be _____ and the closing inventory would be _____.

Fill the Blanks [4% weightage]

Answer question 1-3 referring the paragraph below.

Shaniya Khan, a shareholder who held shares in Garware Marine Limited (GML), listed on the Bombay Stock Exchange, has recently gone bankrupt. It is also known that GML's share price has nose-dived to 30% level of what she had seen six months ago.

1. The bankruptcy will not affect the financial health or activities of GML due to the concept of:
 - A. Materiality
 - B. Property Rights
 - C. Going Concern
 - D. Score Keeping
 - E. None of the above**

2. Based on the above limited facts, we can state that GML is definitely:
 - A. A bankrupt firm because, there is a fundamental change in its business
 - B. A going concern because, there is no fundamental change in its business
 - C. A startup firm because, there is large scale fluctuation in its share price
 - D. Not a going concern because, there is a change in its funds availability
 - E. Can't say**

3. If it is known that the above scenario of GML is due to a new technology. Hence, the company GML's revenue has decreased so drastically that it is unable to pay its creditors, loans and other

financial obligations. In that case, we would expect at least _____ to question the GML's financial statement pertaining to its going concern.

- A. External auditors, Messer's Prianka Sharma & Associates, CAs
- B. Internal auditors headed by controller Nishant Bharti
- C. Management led by its CEO Kunal Marwaha
- D. Shaniya Khan, the bankrupt shareholder
- E. **Sreekanth S V, the biggest shareholder of the company**

Answer questions 4-6 referring the paragraph below.

Chachhi & Chacha Limited was a company headed by Vivian Emmanuel. On the last working day of the current accounting period, Vivian Emmanuel started totaling the cash account of the firm to ensure that it was tallying with the accounts prepared by the two accountants.

The cash kept in the cash chest totaled to Rs 184.00/-. The deposits on call amounted to Rs 2,840.00/-. The firm's balance in the current account of the local SBI bank amounted to Rs 8,90,008.00/-. Of this SBI bank balance, an amount of Rs. 2,28,000.00/- was categorized specifically for the purchase of a second hand Tractor from Dinanath-Dinabandhu, a seconds automobile dealer. Bank of Baroda, was another banker of Chachhi & Chacha Limited. In that account, the firm had balance of only Rs 1,800.00/-. The firm's cash chest also had two notes of Singapore totaling SG \$ 20,000.00/-. The price of 1 Singapore dollar = 33.40 Indian Rupees.

- 4. Cash balance in the firm will be equal to
 - A. Rs. 8,94,832.00/-
 - B. **Rs. 6,66,832.00/- ~ given, $184+2840+890008-228000+1800$ (please see the discussion on Cash Account – as part of chapter 2)**
 - C. Rs. 13,34,832.00/-
 - D. Rs 13,31,992.00/-
 - E. None of the above

- 5. Chachi & Chacha Limited would surely have the following item in its balance sheet:
 - A. Marketable Securites
 - B. Accounts Receivable
 - C. **Other Assets**
 - D. Inventory
 - E. Prepaid Expenses & Advances

- 6. The fixed assets of Chachi and Chacha Limited would be:
 - A. **More than Rs. 2,00,000.00/-**
 - B. **More than Rs 1,00,000/- but less than Rs 2,00,000.00/-**
 - C. **More than Rs. 10,000/- but less than Rs 1,00,000.00/-**
 - D. **Less than Rs 10,000/-**
 - E. None of the above

- 7. Bhaja Govindam purchased a second hand plant to expand his edible oil refining business. The plant would be valued at
 - A. Net Realizable Value
 - B. Cost of delivery
 - C. Cost of delivery, unpacking, and assembly
 - D. **Cost of delivery, unpacking, assembly, and erection**
 - E. Lower of (A) or (D)

- 8. The firm should ideally choose to operate as a:
 - A. Sole Proprietorship
 - B. Trust
 - C. Limited Liability Partnership
 - D. Limited Liability Company

E. Can't say

KAKKANAN.NET