

**XLRI JAMSHEDPUR – BM****Quiz Test, Time: 20 Minutes, Total Marks: 20, Date: Jul. 2008**

NAME: \_\_\_\_\_

ROLL # \_\_\_\_\_

**INSTRUCTIONS**

This is a closed book examination. You are not allowed to borrow books, calculators, etc. Answer all questions. Please read all footnotes (some of them might contain crucial information). Marks in brackets at the start of each section indicate the marks assigned for that section. In case of multiple-choice questions, you are required to mark (tick) the appropriate choice in the question paper attached.

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.

**'Abu Salem and XL Premier League'**

The modern day Jhola-wala<sup>1</sup> laptop carrying and pan chewing Professor Abu Salem was teaching financial accounting course at XL. The class was hazaar<sup>2</sup> impressed with his smart looks and pony tail especially the Delhi Dare Devil members including Vidhi, Raashi, Neetika, Dr. Mona, Neetika, and Prabhjot<sup>3</sup>. The Bengal tigers<sup>4</sup> smelt potential competition and did not like him one bit especially Sanmoy, Angshuman, Vinay, Nakul, and Anshuman. Unlike the aggressive actresses down south, the sambar brigade decided to adopt a wait and watch approach; it included Archana, Gayatri, Sarada, Usha and Suhasini.

In a recent session, (as usual) Professor Abu Salem threatened the class with a surprise quiz. The class was of course *not surprised*. The Bengal tigers took it as an opportunity to prove themselves while the Delhi Dare Devils worked vigorously to impress the charismatic Abu Salem by repeated visits to beauty parlor-varlor, gym-vym, and doing some yoga-shoga. Abu Salem was close to Chotta Rajan, hence the sambar brigade thought 'yeh nahi to koi aur sahi'<sup>5</sup> and targeted Chottan Rajan as their future partner. Finally, the day came when the quiz paper was there on the table. It included five companies listed on the Bombay Stock Exchange from different sectors – namely, Educomp Solutions Limited<sup>6</sup>; Fortis Financial Services Limited<sup>7</sup>; MMTC Limited<sup>8</sup>; Noida Toll Bridge Co. Limited<sup>9</sup>, and NTPC Limited<sup>10</sup>.

<sup>1</sup> Jhola-wala means office bag carrying (for laptop, etc.)

<sup>2</sup> Hazaar means thousand times

<sup>3</sup> Whereas, the Delhi boys including Anshuman, Jasmeet, Saurabh, Vinay, Ankit, Shwetank, Ankur, and Piyush were left with chewing their nails

<sup>4</sup> There were no comments from the Bengal Tigresses including Stuti, Farah, Nutan, and Pradipta

<sup>5</sup> If not him, at least let me target his one of his friends

<sup>6</sup> Private owned; Main Products: Books, CD ROMs, Toys, Software Education, Computers and other components

<sup>7</sup> Business Group affiliate; Main Activities: Investment Banking, Securities and Other Financial Investment Activities

<sup>8</sup> State owned; Main Activities: Wholesale and Retail Trade of Commodities such as Iron Ore, Gold, and Coal

<sup>9</sup> Private owned; Main Activities: Infrastructure – Heavy Construction / Toll Bridge

<sup>10</sup> State owned; Main Activities: Utilities (Power, Gas and Water Generation) especially generating thermal power

These five sample firms had different sizes and came from different stages of growth. The quiz paper involved identifying five main items in their balance sheet and income statement for the financial year ending 2007 i.e., accounting period ending 31<sup>st</sup> March 2007. 'Main' being importance in terms of their size in the respective financial statements (i.e., pick the largest ones). We present the same below:

Based on your judgment, you are required to tick only five items for each company:

In the below table, please tick mark only five main Income Statement items for each company

[Each Correct Match: 1 mark, Each Wrong match: – 0.5 marks, No Attempt: – 0.5 marks]

Income Statement Item	Educomp Solutions	Fortis Financial Services	MMTC	Noida Toll Bridge	NTPC
Bad Debts Written Off		<input checked="" type="checkbox"/>			
Depreciation				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dividends					<input checked="" type="checkbox"/>
Fee Paid to O&M Contractor				<input checked="" type="checkbox"/>	
Finance Charges				<input checked="" type="checkbox"/>	
Freight			<input checked="" type="checkbox"/>		
Fuel					<input checked="" type="checkbox"/>
Income from Operations				<input checked="" type="checkbox"/>	
Interest Earned			<input checked="" type="checkbox"/>		
Loss on Sale of Fixed Assets		<input checked="" type="checkbox"/>			
Loss on Sale of Leased Assets		<input checked="" type="checkbox"/>			
Other Income					<input checked="" type="checkbox"/>
Personnel Expenses	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	
Profit on Divestment of Shares		<input checked="" type="checkbox"/>			
Provision for Current Tax	<input checked="" type="checkbox"/>				
Purchases	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
Removal of Provision for Non-Performing Assets		<input checked="" type="checkbox"/>			
Sales	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Service Income	<input checked="" type="checkbox"/>				
Stock Returned			<input checked="" type="checkbox"/>		

In the below table, please tick mark only five main Balance Sheet items for each company

[Each Correct Match: 1 mark, Each Wrong match: – 0.5 marks, No Attempt: – 0.5 marks]

Balance Sheet Item	Educomp Solutions	Fortis Financial Services	MMTC	Noida Toll Bridge	NTPC
Bank Overdraft					
Brand Value					
Capital Work in Progress <sup>11</sup>					<input checked="" type="checkbox"/>
Cash and Bank Balances	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
Contingent Liabilities					
Goodwill					
Human Capital					
Investments		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Losses Carried Forward (a.k.a. Profit & Loss A/c)		<input checked="" type="checkbox"/>			
Marketable Securities					
Miscellaneous Expenses to the Extent Not Written Off					
Net Block	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Provision for Diminution in Value of Investments		<input checked="" type="checkbox"/>			
Reserves and Surplus	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Secured Loans			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Share Capital		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Social Capital					
Sundry Creditors			<input checked="" type="checkbox"/>		
Sundry Debtors	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Unsecured Loans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

<sup>11</sup> Including construction stores and related advances

### Multiple Choice Questions

Pick the most appropriate answer [Each Correct Match: 1 mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

1. The energy internally consumed by NTPC (for powering its own colonies, establishments, etc.) will be reflected in the income statement as
- a) Dividend  
b) Cost of Goods Sold  
c) **Income**  
d) None of the above

*Explanation: If you are able to clearly measure sale transactions (of goods or services) leading to an increase in the owner(s) equity ... we can classify that item as "revenue" (see, page 103-104 and 519 of textbook). For example, watch NTPC's annual report page 79.*

2. An instrument with the following details is shown in the annual report of a manufacturing company's secured loans – '13.60% Secured Non-Cumulative Non-Convertible Redeemable Taxable Bonds of Rs. 1,00,000/- each redeemable at par in three equal installments of 30%, 30%, and 40% commencing from 28<sup>th</sup> September 2004':

If all the redemptions were being made on time then the amount on the balance sheet secured loans of the above firm for each of the above instrument as on 31<sup>st</sup> March 2006 will be equal to approximately:

- a) Rs. 33,000/-  
b) **Rs. 44,000/-**  
c) Rs. 77,000/-  
d) None of the above

*Explanation: Please draw the instrument on a time line (as done in the class). You would observe that a balance of Rs 40000/- of principal amount is left. The accrued interest portion of that principal amount is also due and should be added.*

3. Stamps in hand (of material value) will usually be treated as part of:

- a) **Cash & Bank Balances**  
b) Loans & Advances  
c) Marketable Securities  
d) None of the above

*Explanation: Cash is usually taken to include cheques or any other instrument that circulates as cash (see, page 46 of textbook). For example, watch NTPC's annual report page 91.*

4. Cheques in transit will be part of:

- a) **Cash & Bank Balances**  
b) Loans & Advances  
c) Marketable Securities  
d) None of the above

*Explanation: Cash is usually taken to include cheques or any other instrument that circulates as cash (see, page 46 of textbook). For example, watch NTPC's annual report page 91.*

5. An employee has a few leaves remaining. The company rules permit the same to be encashed. The above item will be there in the firm's balance sheet as a \_\_\_\_\_; and, in the employees balance sheet it will be there as a \_\_\_\_\_
- a) Long-term Liabilities; and Investments

- b) Contingent Liabilities; and Mention in the notes to Accounts

- c) **Provisions; and Mention in the notes to Accounts**  
d) None of the above

*Explanation: Where else can this be placed. For a firm it is a expected liability (wherein based on past experience they will estimate the future outgo and make a provision for the same amount). For a employee, it is a contingent benefit and the best way to deal with unrealized gains is to make a mention of them in the notes to accounts.*

6. 'Land – right to use' for a manufacturing firm will be part of:

- a) Tangible non-current assets  
**b) Intangible non-current assets**  
c) Current assets  
d) None of the above

*Explanation: There are no other alternatives (since it is intangible and like a unutilized patent but payments have been made for the same) ... see, Page 53 of the textbook. For example, watch NTPC's annual report page 84.*

7. Pre-commissioning expenses of a plant & equipment for a footwear producer would be part of:

- a) Fixed asset**  
b) Current asset  
c) Current liabilities  
d) None of the above

*Explanation: All expenses that go into bringing a fixed asset into its working condition will be capitalized and considered as part of the cost of the fixed asset ... see, Page 112 and 521 of the textbook. For example, watch NTPC's annual report page 84-85.*

8. If BHEL (erstwhile name, Bharat Heavy Electricals Limited) makes a fixed asset (say, a generator) for using it internally then it can show the cost of making this fixed asset as a:

- a) Income statement item – income  
b) Income statement item – expense  
**c) Balance sheet item – non-current asset**  
d) None of the above

*Explanation: You capitalize the costs related to creating the fixed asset and show it at that value. You can reject option (b) based on the explanation/ definition of expense in page 106.*

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