

**XLRI JAMSHEDPUR – BM****End-term Examination, Time: 90 Minutes, Total Marks: 35, Date: 11 Sep. 2017**

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.

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.

**WELCOME TO THE MULTI-COURSE MEAL ...****Platter of Kebabs with Somras**

[Total Marks: 4.5, Each Correct Match: +½ mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

1. *Liquidate/Close Down/Shut Down.* Please refer to FAM4e Chapter 1 OLC\*, Annexure 1.5
2. *Business Entity.* Please refer to FAM4e Chapter 1 QR Code 1
3. *Going Concern.* Please refer to FAM4e Chapter 1 QR Code 2
4. *Prudence/Conservatism.* Please refer to FAM4e Chapter 1 QR Code 3
5. *Land.* Please refer to FAM4e Chapter 2 QR Code 1
6. *Inventory of Goods.* Please refer to FAM4e Chapter 2 QR Code 2
7. *One Person Company.* Please refer to FAM4e Chapter 1 OLC, Annexure 1.3
8. *Banking.* Please refer to FAM4e Chapter 2 QR Code 3
9. *Subsidiaries*

**Manchow Soup**

[Total Marks: 7, Each Correct Match: 1 mark, Each Wrong Answer: – ½ mark, No Attempt: – ½ mark]

Operating profit before working capital changes	1440
Net cash flow from/ (used in) operating activities	777
Net cash provided by (used in) investing activities	(493)
Net cash provided by (used in) financing activities	(180)
Ending cash and cash balance	653

Please answer some multiple-choice questions on the above cash flow statement:

6. During the above period, the firms cash flow from operations were:
  - A. Negative
  - B. Less than its (Capex + Dividend Paid + Interest/Similar Paid)
  - C. Less than its profit before taxes**
  - D. None of the above
  
7. During the above period, we can disagree to the following interpretation:
  - A. The firm invested funds in its working capital
  - B. The firm showed expansionary tendencies
  - C. Reduced its financial leverage
  - D. Made lot of non-core investment activities**

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## Rotiyan Ka Tokri

[Total Marks: 7, Each Correct Match: 1 mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

1. (a). Please refer to FAM4e Chapter 1 OLC, Annexure 1.5
2. (c). Please refer to FAM4e Chapter 1 OLC, Annexure 1.5
3. (b). Please refer to FAM4e Chapter 1, Section 1.10
4. (d). Please refer to shared slides on 'conservatism' in server
5. (d). Please refer to FAM4e Chapter 2, Annexure 2.7
6. (b). Please refer to FAM4e Chapter 2, Annexure 2.7
7. (c). Please refer to FAM4e Chapter 2, Annexure 2.7

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# Chicken Chettinad / Palak Paneer

[Total Marks: 3.5, Each Correct Match: +½ mark]

Match the following. We show the same using one example. Please note that there is only one most appropriate match for each one.

**Potential off balance sheet exposures by industry**

Off balance sheet Issue	~~~~~	Industry
I. Take or pay contracts		A. Energy
II. Lease agreements		B. Insurers
III. Guarantees		C. Technology
IV. Environmental remediation		D. Banking
V. Forward purchase or sale commitments		E. Media & telecom
VI. Law suits		F. Aerospace
VII. Pension Obligations		G. Retailing
VIII. Joint Ventures		H. Capital goods
IX. Warranties		I. Transport

For example, (a) **Retailing**: The recent McDonald India issue with the local JV partner for the Northern part of India. (b) **Transport**: The commitments to have no fossil fuels use (i.e., use of petrol or diesel) vehicles by 2030 in the European countries impacts the transportation sector

## Hyderabadi Biryani

[Total Marks: 6.5, Each Correct Match: +1 mark]

1. Gross Profit for FY2015 i.e., "Net Sales Less Merchandize costs" is 2.83 m
2. Net Profit Margin for FY2015 is 4.8 %
3. Total Assets at the end of FY2015 is 9.885
4. LT Solvency position at the end of FY2015 is Good as its Times Interest Earned Ratio is >20 and its Debt-to-Equity ratio is 0.45
5. Capital reserve at the end of Q1 of FY2016 equals 1.44 m
6. Current liabilities at the end of Q1 of FY2016 equals 3.153 m
7. Non-current liabilities at the end of Q1 of FY2016 equals 11.8 m
8. Non-current assets at the end of Q1 of FY2016 equals 21.64 m
9. Current assets at the end of Q1 of FY2016 equals 14.71 m
10. "Material and merchandize consumed" as a proportion of sales for Q1 of FY2016 is 9.47 %
11. Based on the Times Interest Earned Ratio, we can say that compared to the last year, the LT Solvency position of the company at the Q1 of FY2016 has Improved
12. "Salary and wage expenses" as a proportion of the total sales for Q1 of FY2016 range in percentage terms between "choose one of these" [12-13] / [14-15] / [16-17] / [18-19]
13. Supplies Consumed is the biggest expense item at the end of Q1 of FY2016

## Nolen Gurer Sandesh

[Total Marks: 6.5, Each Correct Match: +½ mark, Each Wrong match: – ½ mark]

Fill the first blank with the one of the right terms (*Managements personal agenda*; or *Off balance sheet item*) and the second blank with one of the right terms (*Understating Liabilities*; or *Overstating Assets*; or *Impact on key ratios & the big picture*)

### **Firms that adopt wrong practices usually employ:**

Example: CEO salaries are a *Managements personal agenda* and is used for *Impact on key ratios & the big picture*

1. Capitalization of Expenses are a Managements personal agenda and is used for Overstating Assets
2. Contingent Liabilities are a Off balance sheet item and is used for Impact on key ratios & the big picture.
3. Change to relatively unknown external auditor are a Managements personal agenda and is used for Impact on key ratios & the big picture.
4. Discrepancy in valuing obsolete inventory are a Managements personal agenda and is used for Overstating Assets
5. Constant non-provision for advances/loans (along with a note mentioning the same) are a Managements personal agenda and is used for Understating Liabilities
6. Inflating Capital credit and simultaneously decrease trade Creditors are a Managements personal agenda and is used for Impact on key ratios & the big picture
7. Inflating Revenue through tweaking revenue recognition policy are a Managements personal agenda and is used for Impact on key ratios & the big picture
8. Material Derivative Contracts are a Off balance sheet item and is used for Impact on key ratios & the big picture.
9. Operating leases are a Off balance sheet item and is used for Impact on key ratios & the big picture
10. Overbooking of project cost are a Managements personal agenda and is used for Overstating Assets.
11. Receivables Discounting/ Securitization are a Off balance sheet item and is used for Understating Liabilities
12. Significant Cost overrun are a Managements personal agenda and is used for Overstating Assets.
13. Unconsolidated Legal entities are a Off balance sheet item and is used for Impact on key ratios & the big picture.