

XLRI JAMSHEDPUR – BM I

Quiz 1, Time: 75 Minutes, Total Marks: 15, Month: July-2016

NAME: _____

ROLL # _____

INSTRUCTIONS

This is a closed book examination. You are not allowed to borrow books, calculators, etc. Answer all questions. 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 most appropriate choice in the question paper itself and also work out the solution (or give reasonable explanation) in the blank space provided below or on the other side of the page.

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.

SECTION I: FROM YOUR CONTINUOUS ASSIGNMENT

(Total: 4 Marks, Each Correct Answer +1 mark, Each Wrong Answer –½ mark)

Mention the following specific names of the following key stakeholders for your allocated company:

Your allocated company is _____

1. Your company’s promoter/CEO is _____
2. Your company’s external auditor is _____
3. One of the bankers of your company is _____

Check out the following sentence: *“My allocated company (as part of group-assignments) uses the LLP route of derisking itself and yet ensuring upside to itself”*

4. Do you agree to the above sentence? Yes / No;

Defend your answer to the question # 4 above _____

SECTION II: FILL IN THE BLANKS

(Total: 4½ Marks, Each Correct Answer +½ mark, Each Wrong Answer –½ mark)

1. Going concern concept assumes that the entity has neither the intention nor the need to _____
2. The bankers/lenders of Kingfisher Airlines believe that Vijay Mallya's way of doing things makes them feel that _____ accounting concept is an accounting fiction, as the law is also unwilling to accept the distinction.
3. Historically, the moving away of business entities from closed one-time ventures to Bank of Scotland/East India Company/General Motors type of enterprises, necessitated this _____ concept
4. _____ accounting concept is not to ensure artificially smoothening income, reducing profits in good years & the other way around; making it difficult to understand the entity's performance.
5. _____ can be considered to be the longest-lived non-current asset & found in almost all of your allocated company for continuous assignments.
6. _____ (item) can be considered to be the key difference in the accounts listed in the balance sheet of merchandising companies *versus* service companies.
7. _____ Company (type of business entity) is not mandated to convene annual general meeting, extraordinary general meeting and other board meetings as per the latest Companies Act, 2013.
8. Current India's roadmap to convergence with IFRS is not applicable to _____ (industry/sector)
9. _____ (industry/sector) business entities will have the maximum contingent liabilities on account of outstanding foreign exchange and such contracts.

SECTION III: MULTIPLE CHOICE QUESTIONS

(Total: 6½ Marks, Each Correct Answer +½ mark, Each Wrong Answer –½ mark)

1. In accounting, from Chanakya’s Arthasastra times to modern era (after say, Lehman Brothers) times suggest on importance of an approach of ethics that:
- A. Emphasizes an individual’s character as the key element of ethical thinking
 - B. Emphasizes on comprehensive rules about the acts themselves (deontology)
 - C. Emphasizes on focusing on rules consequences (consequentialism)
 - D. All of the above

Reason: _____

2. Professionalism arrived late in accounting due to:
- A. Lack of sociogram to sustain the profession
 - B. Lack of agreement on the monetary measurement concept
 - C. Lack of organized economic activity to sustain the profession
 - D. None of the above

Reason: _____

3. Purposes of accounting information is:
- A. Capital maintenance
 - B. Score keeping
 - C. Both (a) and (b)
 - D. None of the above

Reason: _____

4. Which one of the following will you agree to as an illustration of unconditional conservatism:
- A. Impairment of fixed assets
 - B. Impairment of inventory
 - C. Both (a) and (b)
 - D. Provision for doubtful debt

Reason: _____

5. Among others a company had the following items in its balance sheet – (i) trade payables; (ii) trade receivables; (iii) fixed assets. Which of the following combined trends might indicate very dangerous signals in the balance sheet:
- A. Consistent decrease in proportion of (i) along with consistent increase in proportions of (ii) and (iii)
 - B. Consistent increase in (i) and (iii) along with consistent decrease in (ii)
 - C. Consistent increase in (iii) along with consistent decrease in (i) and (ii)
 - D. Can't say

Reason: _____

6. Which of the following manufacturing industries might include the interest element on the working capital in the inventories costs:
- A. Pharmaceuticals
 - B. Heavy engineering construction
 - C. Beer
 - D. None of the above

Reason: _____

7. A buyer of a company cannot decide on its valuation based on balance sheet due to incomplete picture of the business due to:
- A. Exclusion of non-financial assets
 - B. Accounting concept Gong concern basis
 - C. All of the above
 - D. None of the above

Reason: _____

KAKKANI.NET

Case: Habib's Hair & Beauty (Jamshedpur) Pvt. Ltd.

Habib's Hair & Beauty (Jamshedpur) began its operations on April 1, 20X4 with 4 employees (3 Male and 1 Female). The company's bank account with SBI (XLRI) showed a balance of Rs. 9,000, on March 31, 20X5, which was in agreement with the bank statement received on the same date. Habib had Rs. 600 in cash, in the saloon and Rs. 400 worth cheques received from customers.

On March 31, accounts receivable outstanding amounted to Rs. 30,000 (from a corporate client). Company also had Rs. 3,000 worth promissory notes signed by another of their corporate customer. Dekh-Ke-Roya, an employee had drawn salary advance, which was outstanding in the amount of Rs. 600. Habib owed Rs. 36,000 to Ayur Beauty Products as of March 31, 20X5.

Habib's purchased designer furniture & electronic durables during the year, costing Rs. 320,000. They owed Rs. 200,000 to Dhandapani Finance at the end of the year on account of furniture & electronic durables bought. The obligation was supported by hire purchase agreement for payment at the rate of Rs. 5,000 per month. Depreciation was provided as Rs. 64,000 for the first year. Hair styling equipment inventory amounted to Rs. 1,300. Due to an entry of a new Chinese player in the furniture & electronic durables market, by the end of the year, there were suppliers willing to offer similar furniture and related items for a cost of Rs 160,000.

Company had rented on a 30 years lease a shop space at Rs. 10,000 a year in the Beldih Club. Because of the weak real estate markets, Habib could sublet a new premise of similar quality and similar area for a maximum of Rs. 5,000 a year. On April 1, 20X4, when Habib started operations, they had paid first two years', rent in advance.

On March 31, 20X5, Habib's purchased a generator for saloon use costing Rs. 10,000. Prepaid insurance cost amounted to Rs. 800. During the year, the Habib purchased stationary and office supplies costing Rs. 1,100 from Mansukhlal & Sons. The use of stationary and supplies during the year was estimated at Rs. 800. The company had a small room to store the material needed for its beauty and parlor activities. The store was filled on 5 occasions with Rs 12,000 worth of material each. On March 31, the stores book revealed that Rs 54,000 worth of material had been used during the year.

Habib's paid employees salary on the last day of each month. Bonus for the employees was due in the amount of Rs. 5,300 per employee relating to last financial year (20X4-X5) and will be paid along with first salary in financial year 20X5-06.

It is known that the service tax rate applicable on beauty treatments was 10% whereas there was no service tax applicable on hair styling. Habib's revenue structure was split equally between beauty treatments and hair styling.

The owners of Habib, Ms. Shabana originally invested Rs. 60,000. Net income for financial year 20X4-X5 was Rs. 20,800. Drawings by the owners during the year amounted to Rs. 10,000.

Below Questions (8) to (13) are all based on the above conversation.

8. The 'net working capital' of Habib's Hair & Beauty (Jamshedpur) Private Limited would be
- A. Negative
 - B. Rs 55,200
 - C. Positive, below Rs 30,000
 - D. None of the above

Reason: _____

9. The Networth of Habib's Hair & Beauty (Jamshedpur) Private Limited would be
- A. Negative
 - B. Positive, above Rs 70,900
 - C. Positive, below Rs 70,850
 - D. None of the above

Reason: _____

10. The Cash Balance of Habib's Hair & Beauty (Jamshedpur) Private Limited would be
- A. Negative
 - B. Positive, above Rs 700
 - C. Positive, below Rs 700
 - D. Can't say

Reason: _____

11. The Net Block of Habib's Hair & Beauty (Jamshedpur) Private Limited would be
- A. Negative

- B. Positive, above Rs 267,000
- C. Positive, below Rs 265,000
- D. None of the above

Reason: _____

12. If for the financial year 20X4-X5, Habib's Hair & Beauty (Jamshedpur) Private Limited had paid a total service tax of Rs 20,000 then gross sales of Habib would be
- A. Between Rs 4.5 Lakhs and Rs 9 Lakhs
 - B. Between Rs 9 Lakhs and Rs 18 Lakhs
 - C. Less than Rs 3.5 Lakhs
 - D. None of the above

Reason: _____

13. The following is correct for the financial year 20X4-X5 in Habib's Hair & Beauty (Jamshedpur):
- A. Retained earnings > Loans & Advances
 - B. Retained earnings > Inventory
 - C. Retained earnings > Accounts Payable
 - D. Retained earnings > Accounts Receivable

Reason: _____
