

XLRI JAMSHEDPUR – BM I**Quiz 1, Time: 100 Minutes, Total Marks: 15, Month: July-2015**

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.

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: MULTIPLE CHOICE QUESTIONS

(Total: 6 Marks, Each Correct Answer +½ mark, Each Wrong Answer –½ mark)

1. An educational institute, at the year end, had leftover Stamps worth rupees eleven thousand. The accounts department was however caught by the auditors for giving the wrong treatment to the stock discussed in financial statements. You being a financial expert are requested to identify the treatment if any to be given through undermentioned choices:
 - a. Capital Work In Progress
 - b. Cash & Cash Equivalents**
 - c. Sundry Debtors
 - d. Long-Term Investments
 - e. None of the above

2. Hema Malini, in lieu of commitment towards accomplishing a task of consignment, had sent a Cheque to Bhagat Singh which apparently is in transit; and shall in the books of Bhagat Singh be forming part of:
 - a. Cash & Bank Balances**
 - b. Loans & Advances
 - c. Marketable Securities
 - d. All of the above
 - e. None of the above

3. The energy internally consumed by NTPC Limited (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. All of the above
 - e. None of the above

4. If BHEL Limited (erstwhile name, Bharat Heavy Electricals Limited) makes a Boiler for using it in for running their internal canteen effectively in long run then it shall be treated as:
 - a. Operating Expenditure
 - b. Selling and Distribution Expenditure
 - c. Capital Expenditure**
 - d. Unearned Revenue
 - e. Cost of Goods Sold

5. Provision for Employees Retirement Benefits would be due to the following concept:
 - a. Timeliness
 - b. Realisation
 - c. Conditional Conservatism
 - d. Unconditional Conservatism**
 - e. Materiality

6. Janmajeya initiated a business and eventually he succeeded in managing the resources well enough to have income at the end of a year which he retained in the business for developing the business. The profit retained as such shall be categorised as part of:
 - a. Owner(s) equity
 - b. Revenue reserves
 - c. Total shareholders' funds
 - d. All of the above**
 - e. None of the above

7. Pre-commissioning expenses of a plant & equipment for a footwear producer, Lawreshwar Polymers Limited would be part of:
 - a. Fixed assets**
 - b. Current assets
 - c. Current liabilities
 - d. Deferred revenue expenditure
 - e. None of the above

8. Which of the following is a contingent liability:
 - a. Claims against the entity not acknowledged as debt
 - b. Statutory liabilities under dispute
 - c. Guarantees given in respect of a third party
 - d. All of the above**
 - e. None of the above

9. Ghanshyam jee London waley said in an interview, "I cannot distribute the Capital contributed by self" – is based on the following founding idea of accounting:
 - a. Idea of productive capital
 - b. Idea of profitable operations
 - c. Idea of capital maintenance**
 - d. Idea of consistency
 - e. All of the above

10. Which of the following is correct?
 - a. An enterprise presents revenue in the profit and loss account at the net amount received or receivable. Similarly, it recognizes other income and gains at the net amount.
 - b. An enterprise presents revenue in the profit and loss account at the gross amount received or receivable. Similarly, it recognizes other income and gains at the gross amount.

- c. An enterprise presents revenue in the profit and loss account at the net amount received or receivable. On the other hand, it recognizes other income and gains at the gross amount.
 - d. All of the above
 - e. None of the above**
11. In the course of a periodical audit performance, leading Indian Chartered Accountants, Batliboi & Purohit, discovered some papers & documents that evidence the transactions or events which should support each entry in the journal. You would recognize them as:
- a. Bill
 - b. Receipt
 - c. Voucher**
 - d. All of the above
 - e. None of the above
12. As part of its long-term capital employed, a public company cannot have which of these instruments:
- a. Irredeemable cumulative non-convertible participating preference shares
 - b. Convertible non-cumulative preference shares
 - c. Secured cumulative redeemable non-convertible preference shares**
 - d. All of the above
 - e. None of the above
13. In a high inflationary environment, which method of Inventory valuation will reflect a more conservative Balance Sheet:
- a. Weighted Average Cost
 - b. FIFO
 - c. LIFO**
 - d. Specific Identification Method
 - e. None of the above
14. Brahma, Buddha, Guru Nanak, Jesus, Mahavir, Mohammad, Shiv, & Vishnu decided to venture into a common business but apparently do not know much about the mutuality of partnership terms. Which of the following do you think shall be good enough to justify the sail through the partnership form of business organization?
- a. All partners have invested an equal amount of capital
 - b. All partners are personally liable for the debts of the business**
 - c. Partnerships do not get favorable tax treatment compared to companies
 - d. In a partnership, a partner is entitled to all the profits of the entity and is also responsible for all of its debts
 - e. None of the above

SECTION II: RAM TRADERS CASE

(Total: 9 Marks, Each Correct Answer +½ mark, There are no negative marks)

Ram decides to start a business in the local vegetable market of Jamshedpur. **The case below is completely based on your roll number (Z being the last three digits of your registration number at XLRI) and day of birth (Y) as per your records at XLRI.**

- ⌘ Example 1: If your SID is FB15008 and Date of Birth is 22-Jun-1748 then Z will be '008' and Y will be '22'.
- ⌘ Example 2: If your SID is O15023 and Date of Birth is 29-Feb.-2008 then Z will be '023' and Y will be '29'.
- ⌘ Example 3: If your SID is BM15209 and Date of Birth is 01-Dec-1899 then Z will be '209' and Y will be '01'.

We provide the transactions and events against each date for Ram Traders below. You are required to prepare the position statement of the organization.

- ❖ **Date 1-June** Ram starts a trading entity (Ram Traders) with capital Rs "2Z+1" Thousand
- ❖ **Date 1-June** Ram Traders borrows Rs "Y" Thousand from Ms. Champa (interest will be at Simple Interest @ 12% p.a. payable at end of the month)
- ❖ **Date 2-June** Ram takes on hire a "small shop" (i.e., shed or gmooty) in Sakchi Sabji Bazaar (i.e., local vegetable market) on a daily rent of Rs "Z+1" per day (pays an adjustable deposit of Rs "Z+1" hundred)
- ❖ **Date 2-June** Ram purchases "Y+1" Bags of Red Chillies (i.e., Lal Mirchi) from Pappu at the rate of Rs "Z+1" per Kilogram (remember 1 red Chilli bag = 20 Kgs)
- ❖ **Date 5-June** Ram purchases "Z+1" Bags of Green Chillies (i.e., Hari Mirchi) on Credit from Laddu at the rate of Rs "Y+1" per Kilogram (remember 1 green Chilli bag = 40 Kgs)
- ❖ **Date 6-June** Ram spends Rs 1,000 on sales promotion (such as pamphlets, advertisement on local cable network)
- ❖ **Date 7-June** My Childhood Classmate Akella Veera Venkata Vijayawada Sitaramanjaneyula Rajasekhara Yarlagadda Venkata Samba Siva Rao, Tennis Superstar Ms. Sania Mirza, IPL Dada Shri Lalit Modi, Badminton Champion Ms. Saina Nehwal, Prime Minister Shri Narendra Modi, Bollywood King Shri Shah Rukh Khan, Chennai-based Indian Super Star Shri Rajinikanth, Bollywood Beauty Ms Anushka Sharma, Delhi Tiger Shri Virat Kohli, Indian National Congress President Ms Sonia Gandhi, XL General Secretary Shri Abhijit Roy and Puratchi Thalaivi Amma Jayalaitha Jayaram jointly launch a massive campaign to promote the health benefits of eating Chilli along with International YOGA DAY (as part of Healthy India Campaign using funds from the Government Budget Allocation)
- ❖ Every day Ram Traders sells large amounts of Green Chillies and Red Chillies. Due to the high Demand Ram starts Rationing of Chilli and selling only 1 Kg per customer.
- ❖ **Date 13-June** Ram Traders CEO Ram while watching "F" TV channel, comes to know of a new combo flavor (some kind of mixture prepared by using both red & green chilly) being more popular seasoning these days. Hence the trading entity lends 1 kilo each of red & green chilly to his mother-in-law for doing research to identify the exact mix in this new combo flavor.
- ❖ **Date 19-June** Ram completes reading a book titled "Thought Leaders for the Future Generation" by Harvard Guru Pankaj Ghemawat. He decides to re-write the book in Maithili, Hindi and the local tribal language i.e., Santhali

- ❖ **Date 23-June** A customer hits Ram with a Stone (on some petty argument). Ram is injured. Ram Trader's employee Raju puts 1-gram Chilli on the customer's eyes. Finally, both settle the matter and become good friends by hiring each other.
- ❖ **Date 24-June** Ram sells 80% of the purchased Red Chilli at an average price of Rs 150 per Kg. He sells 90% of the purchased Green Chilli at a average price of Rs 100 per Kg
- ❖ **Date 25-June** Ram's wife turns sweet sixteen. He celebrates his wife's Birthday. He gifts her 1 Kg of Green Chilli and 1 Kgs of Red Chilli. His wife goes ecstatic.
- ❖ **Date 26-June** Due to high volatility in Chilli prices, Ram gets heart attack. Based on Medical advice from Dr. T K Banerjee, Ram decides to close the shop for the next one week.
- ❖ **Date 30-June** Ram Traders pays up the interest to Ms Champa (if any). In return, Ms Champa gives Ram a *Get Well Soon* Greeting Card.
- ❖ **Date 30-June** Ram knows that his employee Raju has to collect this month's salary of Rs. 1,000. He finds Raju to be absent that day. Ram decides to pay him on the next working day.
- ❖ **Date 30-June** Ram Traders purchases shop furniture worth Rs "Y + 1" hundred on credit from M/s Arunachal Green Plywood. Delivery of furniture is done on the same day. Ram promises to make payment in 21 days.
- ❖ **Date 30-June** Ram decides to compute the three financial statements. Ram Traders provides for 40% income tax (proportionate-basis) based on the prevalent taxation norms.

| Please fill in the blanks as on 30th June | Amount (in Rs.) |
|--|-----------------|
| Balance Sheet Items | |
| 1. Cash & Bank Balance | |
| 2. Total Assets | |
| 3. Total Liabilities | |
| 4. Owner(s) Equity | |
| 5. Inventory | |
| 6. Prepaid Expenses and Deposits | |
| Profit & Loss Statement Items | |
| 7. Total Sales | |
| 8. Gross Profit | |
| 9. Operating Profit | |
| 10. Corporate Income Tax | |
| 11. Net Profit | |
| 12. Sales, General & Administrative Expenses | |
| Cash Flow Statement Items | |
| 13. Cash Inflows from Operating Activities | |
| 14. Cash Outflows from Operating Activities | |
| 15. Cash Inflows from Investing Activities | |
| 16. Cash Outflows from Investing Activities | |
| 17. Cash Inflows from Financing Activities | |
| 18. Cash Outflows from Financing Activities | |