



End Term Examination:

Weightage 50%

Duration

120 minutes

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.

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

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

Case: Hazaar Maarya's Business 'Fir Se'

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 ultimately-enchanted blazing dynamic electric damsel cuty-darling biwi, 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 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).
- ◆ 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 third accounting period (to celebrate his future wife's birthday).

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

- ◆ Sells eight balloons at Rs (X+Y) 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).

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	

Hazar Maarya Limited	
<i>Income Statement as at the end of first accounting period</i>	
<i>Profit Before Tax</i>	
Less: Taxes	
Profit After Tax	
Less: Dividends / Withdrawals	
<i>Balance Carried to the Balance Sheet</i>	

Hazar Maarya Limited	
<i>Cash Flow Statement as at the end of first accounting period</i>	
	Amount (in Rs.)
Operating Activities	
<i>Cash Inflow Items Quick Details:</i>	
<i>Cash Outflow Items Quick Details:</i>	
A) Net Cash Flow From Operating Activities	
Investment Activities	
<i>Cash Inflow Items Quick Details:</i>	
<i>Cash Outflow Items Quick Details:</i>	
B) Net Cash Flow From Investment Activities	
Financing Activities	
<i>Cash Inflow Items Quick Details:</i>	
<i>Cash Outflow Items Quick Details:</i>	
C) Net Cash Flow From Financing Activities	
Net Increase/(Decrease) in Cash & Cash Equivalents (A) + (B) + (C)	
Cash and Cash Equivalents at the Beginning of the Accounting Period	
Cash and Cash Equivalents at the End of the Accounting Period	

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 (X+Y) per balloon. All the customers promise to pay in the next accounting period.
- ◆ After a lot of pursuance from his wife Tara, counselors and younger brother Sugreeva, arrogant King Vali pays up the dues against his name.

- ◆ After lot of visits, 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.
- ◆ 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	Amount (in Rs.)
Sales (Operating Revenue)	
Less: Cost of Goods Sold	
Gross Profit	
Less: Sales, General & Administrative Expenses	
EBITDA	

Hazar Maarya Limited	
<i>Income Statement as at the end of second accounting period</i>	
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 _____.

Hazar Maarya Limited	
<i>Cash Flow Statement as at the end of second accounting period</i>	
	Amount (in Rs.)
Operating Activities	
<i>Cash Inflow Items Quick Details:</i>	
<i>Cash Outflow Items Quick Details:</i>	
A) Net Cash Flow From Operating Activities	
Investment Activities	
<i>Cash Inflow Items Quick Details:</i>	
<i>Cash Outflow Items Quick Details:</i>	
B) Net Cash Flow From Investment Activities	
Financing Activities	
<i>Cash Inflow Items Quick Details:</i>	
<i>Cash Outflow Items Quick Details:</i>	
C) Net Cash Flow From Financing Activities	

Hazar Maarya Limited	
<i>Cash Flow Statement as at the end of second accounting period</i>	
Net Increase/(Decrease) in Cash & Cash Equivalents (A) + (B) + (C)	
Cash and Cash Equivalents at the Beginning of the Accounting Period	
Cash and Cash Equivalents at the End of the Accounting Period	

Based on the discussion above, you are required to summarize the cash flow statements of Hazar Maarya Limited for periods I & II. Based on the 'statement of cash flow' attached *alone* and using the format below – please rate Hazar Maarya Limited on a scale of 1 to 5. Where a rating of '1' would indicate 'Likely to Declare Bankruptcy (lot of problems noted)' and a rating of '5' would indicate 'Outstanding cash flow (very few problems)'.

Please tick the box of your choice

Scale	1	2	3	4	5
Company Name _____					

Analysis² of 'STATEMENT OF CASH FLOWS' of Hazar Maarya Limited

Issue	Period 1	Period 2
Major Sources		
Major Uses		
CFO compared to Net Income		
CFO > Capex? Is Capex > Depreciation?		

² Answer the following series of questions: 1. What were the major sources of cash during the last two years? 2. What were the major uses of cash during the last two years? 3. Was cash flow from operations greater than or less than net income? Explain in detail the major reasons for the differences in these two figures. 4. Was your firm able to generate enough cash from operations to pay for all of its expenditures? 5. Did the cash flow from operations cover both the capital expenditures and the firm's dividend payments, if any? If it did, how did the firm invest excess cash? If not, what were the sources of cash the firm used to pay for the capital expenditures and/or dividends? 6. Were the working capital (current asset and current liability) accounts other than cash primarily sources of cash or uses of cash? 7. What other major items affected cash flows? 8. Display over the two years for the company, the trends in (a) net income (b) cash flow from operations (c) capital expenditures (d) dividends (e) net borrowing (proceeds less repayments of short-term and long-term debt) (e) working capital accounts 9. Based on the evidence in the Statement of Cash Flow alone, what is your assessment of the financial strength of the business? Why? [Question 9 is in page 1]

Issue	Period 1	Period 2
CFO > Capex + Dividend		
Excess Cash Invested		
Sources of Cash for Dividends+ Capex		
Other Items Affecting Cash Flows		
Trends <ul style="list-style-type: none"> ◆ Income ◆ CFO ◆ Capex ◆ Dividends ◆ Net Borrowing ◆ Working Capital 		

Overall Assessment Based on the Analysis in the next page (within 50 words):