

Name _____

Roll No. _____

Your Date of Birth: ____ - ____ - _____ (as per official records)

Please note that the complete paper is based on your date of birth (as per official records).

Caselet # 1: Kanchan Polymers [max marks 5]

This problem is based on your Birth Day (say, PQ) and Birth Month (say, RS). You are starting a firm with a capital equal to **PQRS + 1** Crores. Suppose, you are having a date of birth as per official records as 01-01-1979 then in your case the capital of your firm would be $\text{'101 plus 1 Crores} = \text{'102}$ (as PQRS would be 0101).

Transactions:

1. Day 1: You start a firm named 'Kanchan Polymers Limited' with a capital of '(PQRS + 1) crores. *Suppose your date of birth is 20-10-1975 then in your case the capital would be '2011 (being $2010+1$).*
2. Day 1: You buy machinery worth 'PQRS crores from Raj Machineries Limited. Half of the amount is paid on the same day. Rest half of the payment would be done by the end of the month.
3. You take an interest free loan from a friend of a size equal to twice the capital of the firm.
4. The firm makes credit sales of '1000 crores during the year. The end of the year trade receivables balance is '100 crores. It is expected that 10% of the same would turn out to be bad debt.
5. Marketing & distribution expenses for the year are '10 crores. Salaries for the year stand at '5 crores. Electricity and other charges for the year are at '10 crores. All these expenses are paid and no dues remain at the end of the year.
6. The firm makes cash purchases of raw materials worth '100 crores. The firm makes credit purchases of '100 crores. The yearend payables balance remained at '28 crores.
7. End of the year survey reveals a raw material inventory of '1 crore. No other inventory exists for the firm.

8. The machinery is to be depreciated on a written down value basis @ 20% per annum. Corporate income tax rate is applicable at the rate of 35%. Fringe benefit tax is estimated to be `1 crore. Taxes are not yet paid by the firm and provision for the same has to be made.

You are required to prepare Kanchan Polymer balance sheet and income statement at the end of first year and answer the following questions:

- (a) The Cash and Bank Balances are equal to: ` _____
- (b) The Retained Earnings are equal to: ` _____
- (c) The Total Assets would be equal to: ` _____
- (d) The Gross Profit would be equal to: ` _____
- (e) The Current Liabilities & Provisions would be equal to: ` _____

Caselet # 2: Tulsidas-ji's Dream – After an Accounts Lecture [max marks 5]

Share prices of Lankapati Global Ltd. (LG) in the recent past are under pressure, primarily because of lack of growth in the profit figures of the company. Top bosses in the firm including its CEO were quite unhappy about this and were under tremendous pressure.

Worried about his reputation, the CEO of LG, Ravana decided to call it a day and start on his own. He named his little enterprise as Mandodari Enterprises Private Limited. The firm under the leadership of Ravana went in for the following transactions for his business entity:

- ◆ Day 1: Ravana started his business by investing cash worth `XXXXXXXX¹ (by issuing equity shares to himself) on 1 April 20X1.
- ◆ Day 1: Ravana had friends who had land & real estate in a prime location². They agreed to give the same in lieu of a share in the firm's start-up equity. So he took the land from his friends and issued shares worth `XXXXXXXX.
- ◆ Day 1: Borrowed a loan equivalent of the issued share capital (interest @ 10% p.a.).
- ◆ Day 2: He utilized 50% of the loan for plant and machinery. The plant and machinery had a life of 10 years and was thought to have a zero salvage value³
- ◆ Day 4: He utilized 25% of the loan for purchasing goods.
- ◆ Day 5: Ravana's home was looted by dacoits and his wife was taken away. Gang-member Bijli made a telephone call and demanded a ransom.
- ◆ Day 15: Ravana borrowed `5 Lakhs from the firm to pay to the dacoits
- ◆ Day 154: Ravana's wife returned home
- ◆ Day 300: Ravana went for a vacation to Bhagalpur He took his family and friends (other equity partners) with him.

¹ Please take XXXXXXXXX as your date of birth. For example, if your date of birth is 02 January 2000 then the amount would be ` 02,012,000 only.

² Downtown area of Motihari City of East Champaran district in Bihar state.

³ Depreciation would be @ 20% written down value basis if your roll number is *odd* and depreciation would be based on the sum of the years digit method if your roll number is *even*

- ◆ Day 340: Ravana's vacation bill worth `2 Lakhs was paid by the enterprise⁴
- ◆ Day 360: The real estate prices in that area had shot up due to huge oil find near that area by an Oil Exploration Company. Prof. Santrupt Dandewala called up and offered to buy the real estate for `10 Crores while Smt. Kaikeyi (a well known politician) made a counter offer for `15 Crores.

During the year the firm made (only) cash sales to the extent `167 Lakhs. The firm also paid salary to its employees totaling `2 Lakhs. There were other expenses to the extent of `2 Lakhs paid by cash. There was no stock left at the end of the year. The firm has to make a provision for tax payment. The corporate tax rate is 40%.

Unfortunately, Ravana did not have a hang of accounting – hence, he calls you on your dabba (a.k.a. mobile / cell-phone) and asks you to help him in finalizing the firm's financial statements ending 31 March 20X2. Based on the above discussion, please answer the following questions for the end of the year:

- (f) The Corporate Income Tax of Mandodari Enterprises would be: ` _____
- (g) The Networth of Mandodari Enterprises would be: ` _____
- (h) The Cash and Bank Balance of Mandodari Enterprises would be: ` _____
- (i) The Net Current Assets of Mandodari Enterprises would be: ` _____
- (j) Current Liabilities & Provisions of Mandodari Enterprises would be: ` _____

⁴ to be considered a *withdrawal*