

**XLRI JAMSHEDPUR – BM****Mid-term Examination, Time: 90 Minutes, Total Marks: 20, Date: 3 Aug. 2006**

NAME: \_\_\_\_\_

DATE OF BIRTH: \_\_\_ - \_\_\_ - \_\_\_\_\_ (AS PER RECORDS)

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 and also work out the solution (or given reasonable explanation) in the space provided.

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 DINNER ...****Some Starters ...**

[Total Marks: 4, Each Correct Match: ½ mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

1. An employee of Khosla Films Limited, named, Abhishek Khosla embezzled Rs 63,000 during the year ended 31<sup>st</sup> March 20X7. The company instead of treating this amount as a loss, showed it as recoverable from balance sheet. The net profit of the company for the year was Rs 6,572,225,506. Which of the following qualitative characteristics would you use to defend this assessment of the company?
  - a) Understandability
  - b) Relevance
  - c) Reliability
  - d) None of the above
  
2. 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
  
3. "*Capital contributed by the owner cannot be distributed*" – is based on the following founding idea of accounting:
  - a) Idea of productive capital
  - b) Idea of profitable operations
  - c) Idea of consistency
  - d) None of the above
  
4. 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) None of the above

5. Stores and spare parts the use of which is irregular and which can be used only in connection with an item of property, plant and equipment are accounted for as:
- a) Inventory  
b) Expenses  
c) Property, plant and equipment  
d) Can't say
6. Prayrita and Kartikeyan start a cooperative bank, known as, Sakchi Vegetable Sellers Cooperative Bank (SVSCB). The bank purchases treasury securities from a securities dealer, Ashutosh Ashish. SVSCB also enters into an agreement that Ashutosh will repurchase them at a specified price on the expiry of six days from the date of purchase (the transaction is known as six-day REPO i.e., Repurchase Agreement). Ashutosh Ashish's obligation under the REPO is a:
- a) Long-term Liability  
b) Contingent Liability  
c) Current Liability  
d) Can't say
7. Usually, unsecured Liabilities are either:
- a) Interest free loans  
b) High interest i.e., costly loans  
c) Both (a) and (b)  
d) None of the above
8. Papers or documents that evidence of the transaction or event should support each entry in the journal are known as:
- a) Bill  
b) Receipt  
c) Voucher  
d) None of the above

### Some Soup ...

[Total Marks: 4, Each Correct Match: ½ mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

I own a business entity named **I am a Business Man** i.e., **IBM**. At the end of accounting year, IBM has a cash balance equal to Rs XXXXXXXX<sup>1</sup>. Half of the cash has been kept aside for buying brands. The firm does not own any trade receivables nor owns any marketable securities. The firm had a promissory note equivalent to the total cash balance (the amount being receivable after 6 months). Soham Pradhan drew the promissory note. Two days back, Santanu Chakraborty, an employee of IBM had taken a travel advance equivalent to one-tenth of the total cash balance. At the end of the accounting period, IBM does not have any other current assets. The entities fixed assets are twice its current assets. IBM's long-term investments are equal to the rest of the assets on its balance sheet. Recently, the firm had incurred restructuring expenses equal to its fixed assets. The benefit of this restructuring expense is expected to flow over the next five years. Long-term liabilities are equal to its non-current assets. IBM's current liabilities & provisions are equal to half of its current assets. The firm has no other liabilities. The firm had issued equity shares worth Rs XXXXXXXX.

[Each Correct Match/ Answer: ½ mark, Each Wrong match/ Answer: – ½ mark, No Attempt: – ½ mark]

9. Refer to the paragraph above. Fill all the blanks below.
- a. Other Assets is equal to Rs. \_\_\_\_\_
- b. Total Assets is equal to Rs. \_\_\_\_\_
- c. Net worth of the firm is equal to Rs \_\_\_\_\_
- d. Reserves & Surplus of the firm is equal to Rs \_\_\_\_\_
- e. Long-term Liabilities is equal to Rs \_\_\_\_\_

<sup>1</sup> Please take XXXXXXXX as your date of birth. For example, if your date of birth were 02 January 2000 then the amount would be Rs 02,012,000 only.

10. **Tick all the ones that you agree to (i.e., there may be multiple correct answers).** Leave all the ones that you disagree to (i.e., keep them unmarked). Use your own judgment to decide on the answers:
- The firm had sales higher than its long-term investments
  - The firm had a good current ratio
  - Secured liabilities were more than unsecured liabilities
  - The firm has zero contingent liabilities
  - During the financial year, the firm had earned a profit

### Rotiyan Ka Tokri ...

[Total Marks: 4, Each Correct Match: ½ mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

One fine day, Ram was roaming around Sakchi and Jubilee Park. To his surprise he found multiple Ram(s).

He remembered his childhood tragedy ... when his parents, his brothers and all other family members were performing a religious ceremony in Haridwar Kumbh Ka Mela. And suddenly Dacoits came and took all his brothers with them. Ram escaped (being captured) by clinging on to his parents.

Now, all these Rams i.e., his brothers were doing small businesses in and around Sakchi. Ram went and discussed with them the position statement of their businesses. He was able to make the following common size statements of these enterprises.

↓ Balance Sheet Items Firm →	A	B	C	D	E	F	G	H
Cash	5%	10%	10%	15%	10%	3%	10%	15%
Receivables	0%	15%	10%	0%	85%	20%	10%	0%
Inventory	0%	0%	60%	70%	2%	2%	25%	0%
Fixed Assets	95%	70%	20%	15%	13%	75%	55%	70%
Other Assets	0%	5%	0%	0%	0%	0%	0%	15%
Unearned Revenue	0%	40%	0%	0%	0%	20%	0%	85%
Provisions	0%	5%	15%	10%	5%	0%	0%	0%
Other Current Liabilities	30%	15%	40%	75%	0%	5%	50%	0%
Long Term Liabilities	50%	0%	0%	0%	15%	65%	20%	0%
Owners Equity	20%	40%	45%	15%	80%	10%	30%	15%

Unfortunately, Ram forgot to write the business names. Now, please help Ram in identifying the above common sized statements with the following businesses.

[Each Correct Match/ Answer: + 1 mark, Each Wrong match/ Answer: – 1 mark, No Attempt: 0 marks]

COMPANY	FIRM NAME
A	Ram Jhulewala <sup>2</sup>
B	Ram Rasoiwala <sup>3</sup>
C	Ram Bhelpuriwala <sup>4</sup>
D	Ram Gubbarewala <sup>5</sup>
E	Ram Tutionwala <sup>6</sup>
F	Ram Vanwala <sup>7</sup>
G	Ram Cycle-Mechanic <sup>8</sup>
H	Ram Library-Wala <sup>9</sup>

Reasons:

Jeera Rice ...

[Total Marks: 4, Each Correct Match: ½ mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

... Ram also had access to some common size income statements.

Income Statement Terms	Firm →	A	B	C	D	E	F	G	H
Sales		100%	100%	100%	100%	100%	100%	100%	100%
Gross Profit		20%	40%	80%	95%	05%	85%	90%	50%
Profit Before Depreciation, Interest and Tax		15%	30%	75%	65%	05%	50%	75%	45%
Profit Before Interest and Tax		13%	29%	60%	60%	05%	15%	60%	40%
Profit Before Tax		3%	25%	20%	50%	02%	13%	30%	20%
Profit After Tax		3%	25%	20%	50%	02%	13%	30%	20%

<sup>2</sup> Jhula is a round wheel with cars and horses to seat little children

<sup>3</sup> Rasoiwala are cooks (who largely cater to the social requirements of three major events in an Indian’s life cycle i.e., birth, marriage, and death)

<sup>4</sup> Sells tasty and spicy eatables especially snacks and in-betweens (similar to hot dog sellers in western countries)

<sup>5</sup> Sells balloons in all shapes and sizes

<sup>6</sup> Teaches small children of nearby locality (in groups or batches)

<sup>7</sup> Usually runs Maruti-Omni Van to drop kids in the local school (from nearby locality)

<sup>8</sup> Cycle-mechanic needs no introduction

<sup>9</sup> Will usually have a lot of books and magazines (for lending to customers)

Unfortunately, Ram forgot to write the business names. Now, please help Ram in identifying the above common sized income statements with the following businesses.

[Each Correct Match/ Answer: + 1 mark, Each Wrong match/ Answer: – 1 mark, No Attempt: – 1 mark]

COMPANY	FIRM NAME
A	Ram Panwala <sup>10</sup>
B	Ram Raddiwala <sup>11</sup>
C	Ram Saloonwala <sup>12</sup>
D	Ram Dalal <sup>13</sup>
E	Ram Doodhwala <sup>14</sup>
F	Ram Chakkiwala <sup>15</sup>
G	Ram Rickshaw-wala <sup>16</sup>
H	Ram Dosa-wala <sup>17</sup>

Reasons:

<sup>10</sup> Sells pans, cigarettes, beedis, gutka, etc.

<sup>11</sup> Buys newspapers and other things from households and sells it to wholesaler

<sup>12</sup> Runs a roadside saloon largely to cut hair, shaving, and head massage

<sup>13</sup> A middleman who will takes up all brokerage services and provides customers essential things like driving license or signature of a notary (they are available especially near a court)

<sup>14</sup> Buys milk from a wholesaler (dairy packets supplier) and delivers it at home

<sup>15</sup> Grinds wheat and other cereals (and pulses) to powder (such as atta, besan, etc.)

<sup>16</sup> A typical rickshaw puller

<sup>17</sup> Very similar to our campus Dosawala Balaji (also known as Vardha)