

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

[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

**Section II**

[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. 12.2\*DoB
- b. Total Assets is equal to Rs. 18\*DoB
- c. Net worth of the firm is equal to Rs 1.8\*DoB
- d. Reserves & Surplus of the firm is equal to Rs 0.8\*DoB
- e. Long-term Liabilities is equal to Rs 15.4\*DoB

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:

- a. The firm had sales higher than its long-term investments
- b. The firm had a good current ratio
- c. Secured liabilities were more than unsecured liabilities
- d. The firm has zero contingent liabilities
- e. During the financial year, the firm had earned a profit

**There should be no tick marks ....**

**Section III**

↓ 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>1</sup>
B	Ram Rasoiwala <sup>2</sup>
C	Ram Bhelpuriwala <sup>3</sup>
D	Ram Gubbarewala <sup>4</sup>
E	Ram Tutionwala <sup>5</sup>
F	Ram Vanwala <sup>6</sup>
G	Ram Cycle-Mechanic <sup>7</sup>
H	Ram Library-Wala <sup>8</sup>

<sup>1</sup> Jhula is a round wheel with cars and horses to seat little children

<sup>2</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>3</sup> Sells tasty and spicy eatables especially snacks and in-betweens (similar to hot dog sellers in western countries)

<sup>4</sup> Sells balloons in all shapes and sizes

<sup>5</sup> Teaches small children of nearby locality (in groups or batches)

<sup>6</sup> Usually runs Maruti-Omni Van to drop kids in the local school (from nearby locality)

<sup>7</sup> Cycle-mechanic needs no introduction

<sup>8</sup> Will usually have a lot of books and magazines (for lending to customers)

**Section IV**

... 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%

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>9</sup>
B	Ram Raddiwala <sup>10</sup>
C	Ram Saloonwala <sup>11</sup>
D	Ram Dalal <sup>12</sup>
E	Ram Doodhwala <sup>13</sup>
F	Ram Chakkiwala <sup>14</sup>
G	Ram Rickshaw-wala <sup>15</sup>
H	Ram Dosa-wala <sup>16</sup>

<sup>9</sup> Sells pans, cigarettes, beedis, gutka, etc.

<sup>10</sup> Buys newspapers and other things from households and sells it to wholesaler

<sup>11</sup> Runs a roadside saloon largely to cut hair, shaving, and head massage

<sup>12</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>13</sup> Buys milk from a wholesaler (dairy packets supplier) and delivers it at home

<sup>14</sup> Grinds wheat and other cereals (and pulses) to powder (such as atta, besan, etc.)

<sup>15</sup> A typical rickshaw puller

<sup>16</sup> Very similar to our campus Dosawala Balaji (also known as Vardha)