

**XLRI JAMSHEDPUR – BM I**  
Quiz 2, Time: 75 Minutes, Total Marks: 15, Month: August-2016

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 and also work out the solution (or given reasonable explanation) in the blank space provided below or on the other side of the page.

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 + $\frac{1}{2}$  mark, Each Wrong Answer - $\frac{1}{4}$  mark)

1. For FY2016, which of the following do you agree to? (i) The working capital of the company increased; (ii) Current ratio of the company decreased; (iii) Quick ratio of the company decreased; and (iv) Current Ratio and Quick ratio of the company are equal.

Choose one of the following combinations from the above connotations:

- a. Only (i), (ii) and (iii) are correct.
- b. Only (i), (ii) and (iv) are correct.
- c. All four are correct.
- d. Only (ii), (iii) and (iv) are correct.

Your reasons: \_\_\_\_\_

\_\_\_\_\_

2. If you are the regular relationship banker for *Pink Elephant Fitness Private Limited*, wherein the company also its running current account and has also parked almost all the deposits with you – then which of the following options will you choose?
- a. You will be happy to give it an increased overdraft facility.
  - b. You will also try to woo them with your varied investment products.
  - c. Both a and b.
  - d. None of the above.

Your reasons: \_\_\_\_\_

\_\_\_\_\_

3. Regarding long term solvency position of Pink Elephant, which of the following sentences do you agree to from the report shared with you? (i) Debt to Equity ratio of both the company was about zero for both the years; (ii) Long term Debt to Equity ratio of both the company was about zero for both the years; (iii) Times interest earned ratio was equal to infinite for both the years; and (iv) The company will not be able to get much money using the secured loans route.

Choose one of the following combinations from the above connotations:

- a. Only (i), (ii) and (iii) are correct.
- b. Only (i), (ii) and (iv) are correct.
- c. All four are correct.
- d. Only (ii), (iii) and (iv) are correct.

Your reasons: \_\_\_\_\_

\_\_\_\_\_

4. If you are part of the Government of India bureaucracy; and you wanted to contribute to the start-up India campaign, which of the following choices you will make use of?

- a. You would like to give this start-up a secured long term loan.
- b. You would invest as a convertible preference shareholder in this company.
- c. You would like to give this start-up an unsecured long term loan.
- d. You would like to give working capital finance to this company.

Your reasons: \_\_\_\_\_

\_\_\_\_\_

5. The "Net gain from the total liabilities" for Pink Elephant Fitness in FY2016:

- a. Decreased during the last year from what it was in FY 2015
- b. It was negative for both the period
- c. Both a and b
- d. None of the above

Your reasons: \_\_\_\_\_

\_\_\_\_\_

6. The figures indicate that the company's (cash) burn rate seems to have stabilized at about Rs. 9 to Rs. 9.5 lacs per month (approximately). If that be the case then the company has quick assets to survive for about another \_\_\_\_\_ months.

- a. 6 months
- b. 8 months
- c. 10 months
- d. 12 months

Your reasons: \_\_\_\_\_

\_\_\_\_\_

7. Gearing computation of the company shows that:

- a. For each 100 Rupee of outsider's money which was there, the company was losing about one and half Rupees in FY 2015.
- b. For each 100 Rupee of outside liability which was there, the company was losing about nine Rupees in FY 2016.
- c. Both a and b
- d. None of the above

Your reasons: \_\_\_\_\_

\_\_\_\_\_

8. The Return on Equity (ROE) of Pink Elephant Fitness increased during the FY 2016 when compared to previous year due to:

- a. Increase in other income.
- b. Increase in operating profit margins.
- c. Increase in operating asset utilization.
- d. All of the above

Your reasons: \_\_\_\_\_

\_\_\_\_\_

9. Reflecting on Return on Operating Assets (ROOA) and ROE ratios for FY 2016 in the given company, we could say that:

- a. ROE of the company was positive and ROOA was negative.
- b. ROE of the company was positive and ROOA was also positive.
- c. ROE of the company was negative and ROOA was negative.
- d. ROE of the company was negative and ROOA was positive.

Your reasons: \_\_\_\_\_

\_\_\_\_\_

10. EPS of the company during the FY2016 compared to FY2015 has:

- a. Increased from 0.34 to 1.12
- b. Decreased from 1.12 to 0.34
- c. EPS cannot be computed for the given case.
- d. Basic EPS and Diluted EPS were unequal.

Your reasons: \_\_\_\_\_

\_\_\_\_\_

11. The Book value per equity share during FY2016 for Pink Elephant Fitness (compared to FY2015):
- a. More than doubled.
  - b. Increased but less than double.
  - c. Decreased
  - d. Can't say

Your reasons: \_\_\_\_\_

\_\_\_\_\_

12. The specified gross block, depreciation amounts, depreciation rates and useful life that is mentioned for "computers and printers" as part of the Financial Statements indicate that in FY 2015, the company was holding that particular asset for a period of about \_\_\_\_\_ months.
- a. 6 months
  - b. 9 months
  - c. 1 month
  - d. 12 months

Your reasons: \_\_\_\_\_

\_\_\_\_\_

**SECTION II: FILL IN THE BLANKS**

(Total: 4 Marks, Each Correct Answer + $\frac{1}{2}$  mark, Each Wrong Answer - $\frac{1}{4}$  mark)

1. In FY2016, the share premium of Pink Elephant Fitness for the issue of new shares was \_\_\_\_\_ per share.

Reasons/Calculations: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. Write down the journal entries for the issue of new shares in FY2016 (assuming there was call of full money in application for such issue):

3. \_\_\_\_\_ Item of note 10 would be easily identified by the company as part of its bank reconciliation process.

Reasons/Calculations: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. The books of the company indicate that \_\_\_\_\_ seems to be the largest trading partner of the company in FY2016.

Reasons/Calculations: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Given the figures and information provided in report, what kind of industry and the company's life cycle stage do you perceive this company to be in? Discuss within 20 words below:

6. During FY2016, what did the company do of the money raised from issue of new equity (if any) and what part of the balance sheet is that located in:

Reasons/Calculations: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. From FY2016 audited numbers of Pink Elephant, we observe that "within the note 9 of the company's numbers, \_\_\_\_\_ item can become a potential governance issue (and this item ought to be keenly watched by present and potential investors).

Reasons/Calculations: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. The Journal Entry for the banking charges mentioned in note 10 would be:

### **SECTION III: AGREE (YES) / DISAGREE (NO) WITH REASONING**

(Total: 5.75 Marks (includes bonus), Each Correct Answer +¼ mark, Each Wrong Answer –¼ mark)

1. *"The company issued 5952 shares at a premium of 22325457 (approximately) in the FY 2016"* – Do you Agree/Disagree? Discuss within 20 words
  
2. The company seems to be assuming a lesser economic utility in future for a few items vis-a-vis income tax authorities. – Do you Agree/Disagree? Discuss within 20 words
  
3. *The company neither received any money against share warrants nor it received share application money pending allotment as on the dates 31.03 2015 and 31.03.2016.* – Do you Agree/Disagree? Discuss within 20 words
  
4. *"Computer and printers" are owned by the company as per its note 12 in FY2016 audited report. Does this mean that other non-current assets were not fully owned?* – Do you Agree/Disagree? Discuss within 20 words
  
5. *For FY2016, when depreciation is being computed using the given SLM rates as indicated in the note for non-current assets, we observe that the computed figures does not match with the exact amount mentioned in the same note.* Do you agree/disagree? Discuss within 20 words only.
  
6. *The company's interest bearing liabilities as at the end of both the financial years were equal to each other* – Do you Agree/Disagree? Discuss within 20 words

7. During the stated year FY 2016, while the trade payables of the company increased Y-o-Y but its short term provisions decreased Y-o-Y. – Do you Agree/Disagree? Discuss within 20 words
8. *“There is no difference in the paid up share capital and the number of outstanding shares”* Do you Agree/Disagree. Discuss within 20 words only.
9. *In FY2016, Pink Elephant’s liabilities, both current and non-current, increased by about five lacs ninety thousand.* Do you Agree/Disagree. Discuss within 20 words only.
10. *During FY2016, in terms of percentages, the tangible non-current assets of the company grew more than the growth in intangible non-current assets.* – Do you Agree/Disagree? Discuss within 20 words
11. *The company’s investments, both current and non-current clubbed together, in terms of market listed securities were same in both the year.* – Do you Agree/Disagree? Discuss within 20 words
12. *If one were to prepare a cash flow statement then one can say that the company’s payables were source of Cash while the short term loans and advances were a use of Cash during FY 2016.* – Do you Agree/Disagree? Discuss within 20 words

13. *Receivables and inventories of the company during FY 2016 were neither a source of Cash nor use of Cash. – Do you Agree/Disagree? Discuss within 20 words*
14. *For FY 2016, the two biggest expense items of the company are depreciation & amortization expense and Income tax expense. – Do you Agree/Disagree? Discuss within 20 words*
15. *For FY 2016, the two biggest owner(s) equity accretive items as part of company's income statement are other income and Deferred Tax Assets. – Do you Agree/Disagree? Discuss within 20 words*
16. *The company's contingent liabilities were more than Rs. 10 lacs in FY 2016. – Do you Agree/Disagree? Discuss within 20 words*
17. *During FY2016, the company has forfeited its shares and has simultaneously issued bonus shares during the previous year. – Do you Agree/Disagree? Discuss within 20 words*
18. *In FY 2016, the new shares issued by Pink Elephant Fitness were DVR (differential voting right) shares. – Do you Agree/Disagree? Discuss within 20 words*



19. AS on 31<sup>st</sup> March 2016, the capital reserves of the company were more than 340 times the revenue reserve of the company – Do you Agree/Disagree? Discuss within 20 words
20. The Deferred Tax item that comes during the year is because the depreciation as per income tax is more than depreciation as per the books. – Do you Agree/Disagree? Discuss within 20 words
21. If the company was to purchase a chair worth Rs. 4,369 then the same would be written off during the year.– Do you Agree/Disagree? Discuss within 20 words
22. The company purchased one trade mark in FY2015 and two trademarks in FY 2016. – Do you Agree/Disagree? Discuss within 20 words
23. In FY2016, Pink Elephant's Income Statement mentions that its employee benefit expenses were equal to zero. Does this mean that there were no employees? Do you Agree/Disagree? Discuss within 20 words on where that amount is (if any)