

Birla Institute of Technology and Science, Pilani
First Semester 2017-2018
Mid-semester Examination (Regular)

Course Name: Fundamentals of Finance and Accounting (ECON F212/FIN F212)

Maximum Marks: (90) Weightage 30%

Date: 11/10/2017

Duration: 90 Min.

Type: Close Book

Instructions for the students

1. There are four questions. All questions are compulsory.
2. All parts of a question should be answered consecutively. Each answer should start from a fresh page.
3. Assumptions made if any, should be stated clearly at the beginning of your answer.
4. **Marks will be given only if you strictly follow the accounting rules and format**
5. **Write your section number and name of instructor**

Q1. The following table shows the trial balance, income statement and balance sheet of a company for the year ending December 31, 2016. Based on the following table, identify the adjustments and prepare journal entries for adjustments that the company recorded on December 31, 2016. **[18 Marks]**

Account title	Trial Balance		Income Statement		Balance sheet	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	12000				12000	
Account receivable	24000				24000	
Supplies	1000				400	
Prepaid insurance	4000				3000	
Machinery	20000				20000	
Accumulated Depreciation		6000				8000
Account payable		8000				8000
Notes Payable		4000				4000
Unearned service fees		2000				1000
Common stock		20000				20000
Retained Earnings		6000				6000
Service Fee Income		30000		31000		
Salaries expense	10000		10300			
Telephone expense	5000		5000			
Supplies expense			600			
Insurance expense			1000			
Depreciation expense			2000			
Interest expense			100			
Interest payable						100
Salaries Payable						300
Net Income			12000			12000
Totals	76000	76000			59400	59400

Q2. The following is an adjusted trial balance of Starbucks Corporation as of December 31, 2016. (All figures in millions). Answer the following two questions: 1. Prepare the company's multi-step income statement for the year ended December 31, 2016. 2. Prepare the company's classified balance sheet as of December 31, 2016 [**12+18 = 30 Marks**]

	<u>Debit</u>	<u>Credit</u>
Cash and cash equivalents	\$2,128,800	
Short-term Investments	134,400	
Net receivables	768,800	
Inventories	1,378,500	
Other current assets	350,000	
Goodwill	1,719,600	
Long-term investments	1,496,200	
Fixed assets	4,533,800	
Intangible assets	516,300	
Other long-term assets	417,700	
Deferred long-term assets	885,400	
Current Portion of Long-term debt		400,000
Account Payable		2,975,700
Other current liabilities		1,171,200
Long-term debt		3,202,200
Other non-current liabilities		689,700
Deferred long-term liability charges		6,700
Common stock		1,500
Retained earnings		3132100
Additional paid-in capital		41,100
Treasury stock	108,400	
Sales revenue		21,315,900
Cost of goods sold	8,511,100	
Research and development expense	300	
Sales, general and Admin expense	7,970,000	
Other operating expense	980,800	
Other non-operating income		426200
Interest expense	81,300	
Income taxes	1380900	
Totals	<u>\$33362300</u>	<u>\$33362300</u>

Q3. Refer to the question No 2 and calculate the following financial ratios (a) Current ratio, (b) Quick ratio, (c) Gross Profit percentage (d) Net profit margin [**12 Marks**]

Q4. Wheels India Limited published the following financial statements for the year given below. Prepare the company's statement of cash flows for the year ended December 31, 2016 using direct method. [30 Marks]

Wheels India Limited Income Statement Year Ended December 31, 2016		
Net sales		\$900000
Dividend revenue		3000
Interest revenue		6000
Gain on sale of plant assets		31000
Total revenue and gains		940000
Cost of goods sold	500000	
Operating expense (including depreciation expense of \$40,000)	300000	
Interest expense	35000	
Income tax expense	36000	
Loss on sale of marketable securities	4000	
Net Income		65000

Wheels India Limited Comparative Balance sheets: December 31, 2015 and 2016					
Assets	2016	2015	Liabilities and Stockholders' equity	2016	2015
Cash and cash equivalents	55000	20000	Note payable (short-term)	45,000	55,000
Marketable securities	85000	64000	Account payable	76,000	61,000
Notes receivable	17,000	12,000	Interest payable	22,000	15,000
Accounts receivable	110,000	80,000	Income tax payable	8,000	10,000
Accrued interest receivables	2000	3000	Other accrued expense payable	3000	9000
Inventory	100,000	90,000	Notes payable (Long-term)	40,000	0
Prepaid expenses	4000	1000	Bonds payable	400,000	300,000
Plant and equipment, net	616,000	500,000	Total liabilities	594,000	450,000
Total Assets	989,000	770,000	Common stock	60,000	50,000
			Additional paid-in capital	140,000	100,000
			Retained earnings	195,000	170,000
			Total liabilities and stockholder equity	989,000	770,000

Additional information for year 2016 is given below.

The company sold plant assets for cash \$75,000 and the book value of plant asset sold was \$44,000.

Analysis of marketable securities account shows debit entries of \$65,000 (cash transaction), and cash proceeds from the sale of marketable securities \$40,000

Loans made to borrowers in cash \$17,000 and cash collections on loans \$12,000

The company purchased plant assets worth \$200,000; a portion of this purchase was financed through issuance of long-term debt (\$40,000) and the remaining through cash payment.

During the year, the company borrowed \$45,000 by issuing short-term notes payable to banks. Also, the company repaid \$55,000 in principal amount due on these loans.

The company issued bonds payable for \$100,000 cash. The company issued 1000 shares of \$10 par value capital stock for cash at price of \$50 per share.

The company also declared and paid cash dividend during the year.