Name: **Enrolment No:**	

UPES

End Semester Examination, December 2025

Course: Accounting for Managers **Semester: 01**
Program: MBA **Time : 03 hrs.**
Course Code: FINC7010_3 **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	The following are 10 MCQs, select the MOST appropriate answer:		**CO1**
A	The P/E ratio falls even though the share price remains unchanged. What must have happened? A. Earnings per share (EPS) increased B. EPS decreased C. Market capitalization increased D. Company issued more shares	**2**	**CO1**
B	If a company records **credit sales** but collections are slow, which financial indicator will likely worsen? A. Debt–Equity Ratio B. Inventory Turnover C. Receivables Days D. Operating Profit Margin	**2**	**CO1**
C	A decline in the receivable turnover ratio, with constant sales level, indicates: a) Customers are paying slower b) Price discounting strategy c) Cash sales increased d) Inventory write-down	**2**	**CO1**
D	Flexible budgeting is MOST useful for performance evaluation when: a) Output is constant b) There are multiple cost drivers c) All costs are fixed d) Sales are seasonal	**2**	**CO1**
E	Which cost is MOST relevant in a make-or-buy decision for capacity-constrained plant? a) Book depreciation b) Allocated salary c) Opportunity cost of lost sale d) Rent already paid	**2**	**CO1**
F	Company X has:	**2**	**CO1**

	• Inventory Turnover = 3 times • Industry average = 8 times What is the **most appropriate interpretation**? a) Excellent inventory management b) Company is offering longer credit to customers c) Inventory is moving slowly, risk of obsolescence d) Company's COGS is understated		
G	A consumer goods company shows: • **High current ratio** • **Low quick ratio** • **High inventory holding period** As a consultant, what is your **first suggestion**? a) Increase credit period to customers b) Reduce dependence on suppliers c) Improve inventory management and product mix d) Take more long-term loans	2	**CO1**
H	A company records revenue for a **3-year maintenance contract fully in the first year** when cash is received. Which accounting principle is violated? a) Conservatism b) Matching concept c) Going concern d) Money measurement	2	**CO1**
I	**A flexible budget is most useful for:** a) Long-term capital budgeting b) Static sales forecasts c) Performance evaluation under varying activity levels d) CEO compensation planning	2	**CO1**
J	**Which is a limitation of ratio analysis?** a) Ratios help standardize firm comparison b) Ratios are useful in trend analysis c) Cannot capture off–balance sheet financing d) Helps assess liquidity	2	**CO1**
	SECTION B **4Qx5M= 20 Marks**		
Q 2.	ABC report shows **Product C has low margin** because of **high setup cost**. What strategic actions can management take?	5	**CO 2**
Q 3.	Common-size income statement shows: • Advertising ↑ from 6% to 10% of sales • Gross margin ↓ from 35% to 33% • Net margin **unchanged** Interpret whether **advertising is generating returns**, and what explains **stable net margin**	5	**CO 2**
Q 4.	You are the accountant at *FreshBlend Organics*, a small business that sells organic juices and detox drinks.	5	**CO 2**

<table>
<tr>
<td></td>
<td>The junior bookkeeper has recorded the following transactions for October 2025, but you have noticed several violations of basic accounting concepts and conventions. Identify and explain each mistake in terms of which accounting concept/convention has been violated.

Transactions Recorded by the Junior Book keeper:
a. A bank loan of ₹8,00,000 was taken, but it was treated as the owner’s capital.
b. Expired inventory worth ₹50,000 was thrown away, but no entry was made.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q 5.</td>
<td>If you could use only one financial statement to assess a company's health, which one would it be and why?</td>
<td>5</td>
<td>CO 2</td>
</tr>
<tr>
<td colspan="4">SECTION-C
3Qx10M=30 Marks</td>
</tr>
<tr>
<td>Q 6.</td>
<td>The following extracts are available:
<table>
<tr><th>Particulars</th><th>2024</th><th>2025</th></tr>
<tr><td>Sales</td><td>1,40,00,000</td><td>1,70,00,000</td></tr>
<tr><td>COGS</td><td>1,05,00,000</td><td>1,27,00,000</td></tr>
<tr><td>Operating Exp</td><td>17,00,000</td><td>22,00,000</td></tr>
<tr><td>Interest</td><td>2,00,000</td><td>2,90,000</td></tr>
<tr><td>Tax</td><td>4,50,000</td><td>6,20,000</td></tr>
<tr><td>Net Profit</td><td>11,50,000</td><td>11,90,000</td></tr>
</table>
Required:
a) Prepare Comparative Income Statement
b) Provide three insights on:
• pricing power
• cost control
• financing structure</td>
<td>10</td>
<td>CO 3</td>
</tr>
<tr>
<td>Q 7.</td>
<td>ABC Company limited has manufactured the part number 707 and that the following costs are reported:
<table>
<tr><th>Cost Details</th><th>Cost per unit</th><th>Total cost for 10,000 units</th></tr>
<tr><td>Direct Material</td><td>4</td><td>40,000</td></tr>
<tr><td>Direct Labour</td><td>6</td><td>60,000</td></tr>
<tr><td>Variable Manufacturing Overhead Cost</td><td>4</td><td>40,000</td></tr>
<tr><td>Fixed Manufacturing Overhead Cost</td><td>8</td><td>80,000</td></tr>
<tr><td>Total</td><td>22</td><td>2,20,000</td></tr>
</table></td>
<td>10</td>
<td>CO 3</td>
</tr>
</table>

	The fixed manufacturing overhead costs include depreciation, property taxes, insurances, supervisor salaries and allocated other expenses. Another manufacturer offers to supply the same part for Rs. 20 per unit. Should ABC Company make or buy the part, if there is no alternative use the available facilities or capacities?		
Q 8.	**Zenovia Foods Pvt. Ltd. – First Year Accounting** Zenovia Foods Pvt. Ltd. was incorporated on April 1 with equity share capital of ₹15,00,000, fully deposited into the company's bank account. During the first year of operations, the following transactions took place: 1. The company paid store rent ₹1,20,000 for the full year by bank transfer. Out of this, ₹20,000 relates to the next year. 2. It purchased Plant & Equipment for ₹6,00,000 and Office Furniture for ₹1,00,000, fully paid from bank. 3. Inventory was purchased during the year for ₹8,00,000, out of which ₹3,20,000 was bought on credit. 4. Sales during the year amounted to ₹12,00,000, of which ₹7,00,000 was cash sales and ₹5,00,000 on credit. By year-end, ₹3,60,000 of credit sales was collected, ₹12,000 written off as bad debts, and the remainder remained outstanding. A provision for doubtful debts @ 5% is created on the closing receivables. 5. Expenses paid during the year: o Wages ₹1,80,000 (with ₹20,000 outstanding) o Electricity ₹48,000 (with ₹6,000 outstanding) o Selling expenses ₹1,00,000 o Administrative expenses ₹60,000 6. Depreciation: o Plant & Equipment: 10% SLM o Furniture: 10% SLM 7. Closing inventory on March 31 is ₹3,00,000. Required: A. Prepare the Statement of Profit & Loss for the year ended 31 March (Schedule III format – broad heads). B. B. Prepare the Balance Sheet as at 31 March, classified into Current and Non-current items. C. C. Show all working notes clearly and ensure the Balance Sheet balances.	**10**	**CO 4**

<table>
<tr><td colspan="4">SECTION-D
2Qx15M= 30 Marks</td></tr>
<tr><td>Q 9.</td><td>Aurora Smart Kitchens Ltd. – Cash Flow Paradox
Aurora Smart Kitchens Ltd. manufactures smart kitchen appliances such as sensor-enabled refrigerators and AI-powered cooking devices. The company has recently completed its financial year closing on 31 March 2026.

Management has been emphasizing its “high profitability and strong business fundamentals” in investor presentations.
Income Statement Highlights
For FY 2025–26, the company reported:
• Revenue: ₹565 crore
• EBITDA: ₹102 crore
• Net Profit After Tax: ₹48 crore

Statement of Cash Flows (Extract)
Despite reporting a profit of ₹48 crore, the Cash Flow from Operating Activities (CFO) was only ₹7.1 crore.

The reconciliation of profit to CFO shows the following major working capital changes:

<table>
<tr><th>Working Capital Item</th><th>Movement</th></tr>
<tr><td>Trade Receivables increased by</td><td>₹41 crore</td></tr>
<tr><td>Inventory increased by</td><td>₹28 crore</td></tr>
<tr><td>Trade Payables decreased by</td><td>₹19 crore</td></tr>
<tr><td>Depreciation charged</td><td>₹13 crore</td></tr>
</table>

There were no unusual non-cash income items, and there were no significant one-time financing or investing transactions that impacted operating cash flows.

Required
a) Aurora is highlighting a ₹48 crore profit, but the cash generated from operations is only ₹7.1 crore.</td><td>15</td><td>CO 4</td></tr>
</table>

	Explain why operating cash flow is materially lower than reported profit, using professional financial reasoning. b) Identify which working capital movements are suppressing operating cash flow. Comment on what these movements reveal about Aurora's commercial practices, including collection discipline, inventory management, and supplier terms. c) As a financial advisor to the CFO, propose three targeted strategies to improve operating cash flow without sacrificing business growth or future scale potential.		
Q 10.	A factory produced 40,000 units last year. Costs incurred: • Direct Material = ₹48,00,000 • Direct Labour = ₹28,00,000 • Variable Factory Overhead = ₹14,00,000 • Fixed Factory Overhead = ₹22,00,000 • Selling & Distribution OH = ₹10,00,000 (₹6,00,000 fixed) • Administrative OH = ₹14,00,000 (fixed) Selling price = ₹180/unit **Required:** a) Prepare a **Cost Sheet** b) Calculate **profit per unit** c) Interpret: If the factory runs at **60% capacity**, should management push volume or reduce price? Support your recommendation **from cost behaviour**.	**15**	**CO 3**