

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Managerial Accounting
Semester- II (Batch: 2021-26)

End Semester Online Examination: May 2022

Date: 14th May, 2022

Duration: 8 hours

Max. Marks: 50

Instructions:

- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.

Marks

- Q.1 Vedant Fashions Limited IPO (Popularly called as Manyavar IPO) was recently closed on February 08, 2022. The Red Herring Prospectus available in public domain in the website of NSE Ltd. has been provided as an attachment with this question paper. The following are brief and relevant details of the IPO for your information and analysis. (15)

The details have been sourced from an IPO information website, 'chittorgarh.com'.

Vedant Fashions Limited (Initial Public Offer)

Company Promoters: Ravi Modi, Shilpi Modi and Ravi Modi Family Trust are the company promoters.

Company Financials:

Summary of financial Information (Restated Consolidated)			
Particulars	For the year/period ended (₹ in Millions)		
	30-Sep-21	31-Mar-21	31-Mar-20
Total Assets	14,455.03	16,256.53	15,915.53
Total Revenue	3,872.90	6,250.19	9,479.76
Profit After Tax	984.07	1,329.03	2,366.37

Objects of the Issue:

The IPO aims to utilize the net proceed for the following objectives;

- To achieve the benefits of listing the equity shares on the stock exchanges; and
- To carry out the Offer for Sale of up to 36,364,838 equity shares by the selling shareholders.

Manyavar IPO Details:

IPO Opening Date	Feb 4, 2022
IPO Closing Date	Feb 8, 2022
Issue Type	Book Built Issue IPO
Face Value	₹1 per equity share
IPO Price	₹824 to ₹866 per equity share
Market Lot	17 Shares
Min Order Quantity	17 Shares
Listing At	BSE, NSE
Issue Size	36,364,838 Eq Shares of ₹1 (aggregating up to ₹3,149.19 Cr)
Offer for Sale	36,364,838 Eq Shares of ₹1 (aggregating up to ₹3,149.19 Cr)
QIB Shares Offered	Not more than 50% of the offer
Retail Shares Offered	Not less than 35% of the offer
NII (HNI) Shares Offered	Not less than 15% of the offer

Manyavar IPO Subscription Status (Bidding Detail):

Category	Subscription (times)
QIB	7.49
NII	1.07
Retail	0.39
Total	2.57

Listing Day Trading Information:

Prices	BSE	NSE
IPO Price	₹866.00	₹866.00
Open	₹936.00	₹935.00
Low	₹921.00	₹920.00
High	₹993.00	₹992.70
Last Trade	₹934.85	₹933.55

Answer the following questions using the above information, financial statements of the company and notes to financial statements segment of the RHP.

- What are the broad indications about the financial status of the company from the Financial Statements of the Company?
- What are your assessments about the leverage, liquidity and profitability of the company?
- Was the valuation of shares and the IPO price reasonable according to your estimates?
- What may be the reasons for low response of the retail segment of the investors?
- If you are a lender, would you lend to such a company?

- Q.2 From the following Comparative Balance Sheet and Income Statement, prepare Cash Flow Statement for the year ended 31st March 2022. Interpret the results of net cash inflows/outflows from operating activities, investing activities and financing activities. All figures used in the question are in **Rupees Thousand**. (10)

Comparative Balance Sheet

LIABILITIES	2021	2022	ASSETS	2021	2022
Equity Share Capital	10,000	8,000	Fixed Assets:		
Reserves & Surplus	200	500	Furniture & Fittings	7,000	5,000
Loan Funds:			Motor Vans	3,000	5,000
Secured Loans	7,000	4,000	Land	12,000	3,000
Unsecured Loans	3,000	1,000	Current Assets:		
Short Term Liabilities:			Debtors	3,000	1,600
Creditors	5,000	1,000	Stocks	1,700	600
Bills Payable	600	1,700	Bills Receivable	600	400
Bonds	5,500	3,800	Cash	200	300
			Bank	4,000	4,100
Total	<u>31,500</u>	<u>20,000</u>	Total	<u>31,500</u>	<u>20,000</u>

Income Statement for the Year 2021-2022

Sales		20,000
Less:		
Material Costs		4,000
Labour Costs		1,000
Other Direct Expenses		2,000
Indirect Operating Expenses		2,000
Profit before Depreciation, Interest and Tax and other Non Operating Items		<u>11,000</u>
Less: Depreciation on Furniture & Fittings	(500)	
Loss on sale of Furniture & Fittings	(50)	
Interest Paid	(150)	

Add: Interest Received	50	
Dividend Received	30	(620)
Earnings Before Taxes(EBT)		<u>10,380</u>

Additional Information (Figures in Rupees Thousand):

- 1) Book value of Furniture & Fittings sold was Rs.200.
- 2) Corporate Tax at the rate of 30% was paid on EBT.
- 3) Half of the Secured Loans of 2021 were repaid during the year and then new loans were taken.
- 4) An unidentified cash deposit of Rs.200 was made in the bank account by someone unknown.
- 5) Motor van of Rs.200 book value met with an accident and got completely damaged. The same was sold as a scrap for Rs.30.
- 6) Equity shareholders were paid dividends at 100% payout ratio.

Q.3 The Marketing Manager of Designer Inc. is judged by his actual performance against the budgeted. The Manager's sales budget and cost data of products A, B and C for the current year is shown below: (10)

Particulars	A	B	C	Total
Budgeted Sales (Rs.)	1,80,000	2,20,000	3,00,000	7,00,000
Budgeted Variable Costs:				
Direct Material	54,000	44,000	45,000	
Direct Labour	45,000	55,000	60,000	
Direct Expenses	36,000	33,000	30,000	
Overheads	18,000	22,000	45,000	
Budgeted Fixed Costs Allocated (Rs.)	17,000	26,000	20,000	63,000
Actual Sales (Rs.)	4,00,000	3,00,000	1,00,000	8,00,000

Actual prices were equal to the budgeted prices and the rates of variable costs incurred were equal to the rates of variable costs budgeted. Actual Fixed Costs are likely to increase than budgeted fixed costs by Rs.3,000 for product A and by Rs.4,000 for product B and remain equal for product C.

The manager has exceeded the sales targets by Rs.1,00,000. He is considered to be performing exceedingly well according to the prevalent system of performance measurement.

- a) Do you really believe that the Marketing Manager has performed in the best interest of the company and in the most productive manner for the company?
- b) What other performance measurement criteria may be resorted to by the company to efficiently assess the performance of the Manager?

Q.4 From the following information:

(5)

Particulars	1 st Half	2 nd half
Sales	Rs. 24,00,000	Rs.30,00,000
Profit	Rs. 2,20,000	Rs.4,00,000

Determine:

1. C/S ratio
2. Annual Fixed Costs
3. Break-even point
4. Margin of Safety

Q.5 A Case Study titled, "Shutdown or Continue: Evaluating the Manufacturing Efficiency" authored by Nagendra Kumar and Indu Perepu and published by IBS Center for Management Research has been provided to you as an attachment to the question paper. The case is about a decision making scenario experienced by an entrepreneur dealing with plastic products manufacturing. After a careful study of the case and its exhibits, answer the discussion questions mentioned on page no-2 of the case main body.

(10)
