ST. FRANCIS DE SALES COLLEGE
A FRANSALIAN INSTITUTE OF HIGHER EDUCATION AUTONOMOUS
NAAC A GRADE • AFFILIATED TO BANGALORE UNIVERSITY • AICTE APPROVED • 2(F) & 12 (B) RECOGNITION OF UGC • ISO 9001:2015 CERTIFIED
Electronics City P.O., Bengaluru - 560 100, Karnataka, INDIA (+91) 8088140679 pro@sfscollege.in www.sfscollege.in

# END SEMESTER EXAMINATION – APRIL/MAY 2026

## BUSINESS ADMINISTRATION – IV SEMESTER BBA

## AVIATION MANAGEMENT

## 25BBA45B: AIRLINE ACCOUNTING

**Time: 3 Hours** **Max. Marks: 80**

**Instruction:** *Answer should be written completely in English*

## SECTION – A

1.Answer any **SEVEN** questions. Each question carries **TWO** marks. **(7X2=14)**

a) What do you mean by financial statement analysis?
b) What is meant by airline deregulation?
c) An airline invests Rs.50,000 at 10% interest for 2 years. Calculate the future value.
d) Give the formula for fixed asset turnover ratio.
e) List two commonly used depreciation methods for aircraft.
f) How can a spreadsheet be used for depreciation calculations in airlines?
g) What risks are associated with not hedging fuel costs in airline operations?
h) Explain how an airline can implement a fuel-hedging strategy using swaps
i) Why is understanding the cost structure important for an airline's profitability?
j) What is the role of fuel costs in an airline's overall operating expenses?

## SECTION – B

Answer any **THREE** questions. Each question carries **EIGHT** marks. **(3X8=24)**

2. Find out the present value of Rs.10000 receivable after 8 years. If the rate of interest is 10% and 15%.
3. Indigo is planning to invest 1,00,000 in a new customer service system to improve passenger experience and reduce complaint handling. The time system is expected to generate additional cash inflows over 4 years as follows. Calculate Pay-back period.

| Year | Cash inflows |
|---|---|
| 1 | 20000 |
| 2 | 30000 |
| 3 | 25000 |
| 4 | 40000 |

4. Outline the steps involved in conducting a cost structure analysis for an airline. mention the key outputs of such an analysis.
5. List the main steps an airline follows to design a fuel-hedging strategy and briefly describe each step.
6. Differentiate between fixed and variable cost in the context of a low-cost carrier. give two examples for each.

## SECTION – C

Answer any **THREE** questions. Each question carries **FOURTEEN** marks. **(3X14=42)**

7. An airline company provides the following financial information for two consecutive years (2024 and 2025).

| Particulars | 2024 | 2025 |
|---|---|---|
| Passenger Revenue | 60,00,000 | 72,00,000 |
| Cargo revenue | 12,00,000 | 15,00,000 |
| Operating revenue | 45,00,000 | 54,00,000 |
| Administrative expenses | 8,00,000 | 9,00,000 |
| Interest | 2,00,000 | 2,50,000 |
| Dividend paid | 1,00,000 | 1,20,000 |
| Additional information: | | |
| Beginning retained earnings | 4,00,000 | ? |
| Aircraft value | 80,00,000 | 90,00,000 |
| Ground equipment | 20,00,000 | 25,00,000 |
| Current asset | 30,00,000 | 35,00,000 |
| Inventory | 5,00,000 | 6,00,000 |
| Current Liabilities | 15,00,000 | 18,00,000 |

**You are required to prepare,**

a. Statement of retained earnings for 2024 and 2025
b. Calculate GPR
c. Calculate NPR
d. Calculate FATR
e. Calculate Current ratio
f. Calculate Quick ratio

8. Prepare a common size balance sheet of the Skyjet airlines ltd. Using the following data from the below table.

| **Particulars** | **S Ltd** | **R Ltd** |
|---|---|---|
| **Equities and Liabilities:** | | |
| Equity share capital | 1,50,000 | 4,00,000 |
| Preference share capital | 1,20,000 | 1,60,000 |
| Reserves | 14,000 | 18,000 |
| Long term loans | 1,15,000 | 1,30,000 |
| Bills payable | 2,000 | ---- |
| Creditors | 12,000 | 4,000 |
| Outstanding expenses | 15,000 | 6,000 |
| Proposed dividend | 10,000 | 90,000 |
| **Total** | **4,38,000** | **8,08,000** |
| **Assets:** | | |
| Land and building | 80,000 | 1,23,000 |
| Plant and machinery | 3,26,000 | 6,00,000 |
| Temporary investment | 10,000 | 40,000 |
| Book debts | 4,000 | 8,000 |
| Prepaid expenses | 10,000 | 20,000 |

ST. FRANCIS DE SALES COLLEGE
EFFICIENCY • TRANSFORMATION • EXCELLENCE
BENGALURU

| | | |
|---|---|---|
| Cash in hand | 8,000 | 17,000 |
| **Total** | **4,38,000** | **8,08,000** |
| | | |

9. What do you mean by aircraft leasing? Explain in detail why do most of the aircraft prefer leasing.
10. Elaborate on the process of implementing a comprehensive fuel-hedging program using financial derivatives.
11. Evaluate the effectiveness of various cost-cutting measures in enhancing the financial efficiency of an airline. provide an example of successful implementation.

ST. FRANCIS DE SALES COLLEGE
EXCELLENCE•EFFICIENCY•TRANSFORMATION
ELECTRONICS CITY