MS-04

Management Programme

ASSIGNMENT
FIRST SEMESTER
(January to June)
2021

MS - 04: Accounting and Finance for Managers

School of Management Studies
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
MAIDAN GARHI, NEW DELHI – 110 068

ASSIGNMENT

Course Code	**:**	**MS-04**
Course Title	**:**	**Accounting and Finance for Managers**
Assignment Code	**:**	**MS-04/TMA/SEM-I/2021**
Coverage	**:**	**All Blocks**

Note : Attempt all the questions and submit to the Coordinator of your study centre on or before 30th April 2021.

1. Explain the purposes of Accounting Information? Which purpose, in your opinion, is most important and why?
2. The following are the summarized Balance Sheets of ABC Ltd as on 31st December, 2019 and 31st December 2020, respectively:

Balance Sheets as at 31st December

	2019 (Rs. In thousands)	**2020**
Assets:		
Freehold Property at Cost	33.00	24.00
Plant and machinery (cost less depreciation)	20.80	60.30
Inventories	30.35	32.85
Sundry Debtors	20.10	24.75
Cash and Bank	9.25	16.80
Preliminary Expenses	1.20	0.60
	114.70	**159.30**
Liabilities:		
Issued Share Capital	60.00	75.00
Share Premium Account	-	5.00
Capital Reserve	-	17.00
Profit & Loss Account	21.50	21.20
Sundry Creditors	27.20	32.60
Proposed Dividends	6.00	8.50
	114.70	**159.30**

No plant and machinery was sold during the year 2020. Depreciation written off during 2020 was Rs 7,500. Net Profit for the year was Rs. 8,200. dividend paid during 2020 in respect of previous year was Rs. 6,000 . Capital reserve represented a profit on sale of freehold premises. You are Required to prepare:

(i) a Statement showing Changes of Working Capital during 2020; and

(ii) A Funds Flow Statement for the same period.

3. Discuss the techniques of Absorption Costing and Marginal Costing using a suitable example.
4. Explain the different types of Budgets prepared in an Organization of your choice and discuss the relevance of these budgets to that organisation.
5. Alpha Ltd is considering a capital investment proposal where two alternatives, involving differing degrees of mechanization, are being considered.

   New machinery would cost Rs. 2,78,000 in **option 1** and Rs. 8,05,000 in **option 2**. Both these investments would have a five year life, however it is anticipated that the scrap values after 5 years would be Rs. 28,000 and Rs. 1,50,000 respectively. Depreciation is provided on a straight line basis. Annual Cash Inflows, expected to be generated for **option 1** is Rs. 1,00,000 and Rs. 2,50,000 for **option 2**. The cost of capital is 15%.

   You are required to calculate the following for each option:

   (i) The payback period

   (ii) The Accounting rate of return, based on average book value

   (iii) The Net Present Value

   (iv) The Internal Rate of Return.

   As a Manager which option you would prefer, give reasons for your preference.