

**MS-04**

## **Management Programme**

**ASSIGNMENT**  
**For**  
**January 2022 and July 2022 sessions**

### **MS - 04: Accounting and Finance for Managers**

**(Last date of submission for January 2022 session is 30<sup>th</sup> April, 2022  
and for July 2022 session is 31<sup>st</sup> October,2022)**



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

## ASSIGNMENT

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<b>Course Code</b>	:	<b>MS-04</b>
<b>Course Title</b>	:	<b>Accounting and Finance for Managers</b>
<b>Assignment Code</b>	:	<b>MS-04/TMA/JAN/2022</b>
<b>Coverage</b>	:	<b>All Blocks</b>

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Note: Attempt all the questions and submit to the coordinator of your study centre. **Last date of submission for January 2022 session is 30<sup>th</sup> April, 2022 and for July 2022 session is 31<sup>st</sup> October, 2022.**

Q1. Accounting is closely associated with control". Explain the statement and discuss the role of accounting feedback in the process of control. What do you understand by Internal Audit? How do the functions of an internal auditor differ from that of External Auditor?

Q2. You are required to prepare a Schedule of Changes in Working Capital and a Statement showing Sources and Application of Funds for XYZ Ltd. The following is the condensed Balance sheet of XYZ Ltd. at the beginning and at the end of the year 2021

<b>Particulars</b>	<b>As at 1-1-2021</b>	<b>As at 31-12-2021</b>
<b>Assets</b>		
Cash and bank balances	50,000	40,000
Sundry debtors	77,000	73,000
Short-term investments	1,10,000	84,000
Prepaid expenses	1,000	2,000
Stock-in-trade	92,000	1,06,000
Freehold land and sheds	1,00,000	1,00,000
Plant and machinery	72,000	80,000
	<b><u>5,02,000</u></b>	<b><u>4,85,000</u></b>
<b>Liabilities and Capital</b>		
Sundry creditors	1,03,000	96,000
Outstanding expenses	13,000	22,000
5% Debentures	90,000	70,000
Depreciation fund	40,000	44,000
Reserve for contingencies	60,000	50,000
Profit and loss account	16,000	23,000
Share capital	1,80,000	1,80,000
	<b><u>5,02,000</u></b>	<b><u>4,85,000</u></b>

Additional information available is:

- (a) Dividend was paid @ 10% .

- (b) During the year and old machinery costing Rs. 12,000 was sold for Rs. 4,000, on which accumulated depreciation was Rs. 6,000 and a new machinery of Rs. 20,000 was purchased. The factory sheds are fully depreciated.
- (c) 5% Debentures of face value of Rs. 100 each worth Rs. 20,000 were redeemed by purchase from the open market at Rs. 96 each.
- (d) Rs. 10,000 was debited to the contingency reserve for settlement of previous tax liability.
- (e) Investment worth Rs. 26,000 were sold at book value.

Q3. Explain the technique of Marginal Costing and Absorption Costing. Taking a suitable example prepare a Profit and Loss Account according to Marginal Costing and Absorption Costing.

Q4. A firm has sales of Rs. 75, 00,000 variable cost of Rs. 42, 00,000 and fixed cost of Rs. 6,00,000. It has a debt of Rs. 45, 00,000 at 9% and equity of Rs. 55, 00,000.

- (i) What is the firm's ROI?
- (ii) Does it have favorable financial leverage?
- (iii) If the firm belongs to an industry whose asset turnover is 3, does it have high or low asset leverage?
- (iv) What are the operating, financial and combined leverages of the firm?
- (v) If the sales drop to Rs. 50,00,000, what will be the new EBIT?
- (vi) At what level the EBT of the firm will be equal to zero?

Q5. Discuss the concept of Working Capital. As a financial manager which factors would you take into consideration while estimating working capital needs of your firm.