

MANAGEMENT PROGRAMME

13732

Term-End Examination

June, 2010

MS-4 : ACCOUNTING AND FINANCE FOR MANAGERS

Time : 3 hours

*Maximum Marks : 100
(Weightage 70%)*

Note : Attempt any five questions. All questions carry equal marks. Use of calculators is allowed.

1. "In managing cash, the finance manager faces the problem of compromising the conflicting goals of liquidity and profitability". Comment on this statement. How would you determine the optimum cash balance in a business organisation ?
2. What is meant by appropriate capital structure ? Discuss the determinants and features of an appropriate capital structure for a corporate body.
3. (a) How is a statement of changes in working capital prepared for 'Fund Flow Analysis' ?
(b) How is 'cash from operating activities' calculated in cash flow analysis ?
4. Write notes on :
 - (a) Going concern.
 - (b) Return on investment.
 - (c) Management Accounting.
 - (d) Capital rationing.
5. Explain differences between :
 - (a) Prime cost and factory cost.
 - (b) First in, First out and Last in, First out methods of inventory valuation.
 - (c) Fixed budget and flexible budget.
 - (d) Contribution and margin of safety.

6. Discuss the features of accounting information which can be generated from accounting records. How do different users use this information ?

7. (a) Following information is available for a company for January and February 2009.

	January	February
Sales (Rs.)	38 lakh	65 lakh
Profits (Rs.)	-	3 lakh
Loss (Rs.)	2.4 lakh	-

- Compute : (i) Break even sales volume
(ii) Profit or loss at Rs. 46 lakh sales
(iii) Sales to earn a profit of Rs. 5 lakh.

(b) Calculate Direct Material Cost Variances Direct Material usage variance and Direct Material Price Variance from the following information :

Finished production

during the period 1000 units

Opening Stock of material 1000 kg.

Closing Stock of material 2000 kg.

Value of material purchased Rs. 1 lakh

Standard rate of material Rs. 20 per kg.

Standard quantity of material

per unit of finished product 2 kg.

Quantity of material purchased 4000 units

8. From the following information draw up a balance sheet :

Gross profit ratio 20%, liquidity ratio : 1.5

Reserve : Share Capital 0.5 : 1

Networking Capital Rs. 30 Lakh.

Current ratio 2.5, fixed asset turnover ratio : 2 times

Average Debt collection period : 2 months,

Stock turnover ratio : 6 times (cost of sales/closing stock)

Fixed Asset : Shareholders Net worth 1 : 1