

MANAGEMENT PROGRAMME

Term-End Examination

10516

December, 2013

MS-4 : ACCOUNTING AND FINANCE FOR MANAGERS

Time : 3 hours

Maximum Marks : 100

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

1. (a) Explain the concept of conservations and the continuity concept. Why is the former concept also called the concept of producer ?
- (b) Explain the two methods of valuation of inventories. Under which method the valuation of inventory will be higher in an inflationary economy and why ?

2. Explain the concept of Net Working Capital. What factors are taken into consideration while determining the quantum of working capital for a firm ? Discuss.
3. What do you understand by Budgetary Control ? Explain its significance in modern business. How would you instal budgetary control in an organisation ? Explain.
4. Explain the concept of Cost of Capital. How is Weighted Average Cost of Capital Computed ? Explain its significance in Capital Budgeting decisions.
5. Balance sheets of ABC and Co. as on 31st March 2010 and 2011 are as follows :

Liabilities	31.3.2010		31.3.2011		Assets	31.3.2010		31.3.2011	
	Rs.		Rs.			Rs.		Rs.	
Share Capital	20,00,000		20,00,000		Land + Building	15,00,000		14,00,000	
General Reserves	4,00,000		4,50,000		Plant + Machinery	18,00,000		17,50,000	
Profit and Loss A/c	2,50,000		3,60,000		Investment	4,00,000		3,72,000	
10% Debentures	10,00,000		8,00,000		Stock	4,80,000		8,50,000	
Bank Loan (Long term)	5,00,000		6,00,000		Debtors	6,00,000		7,98,000	
Creditors	4,00,000		5,80,000		Prepaid Expenses	50,000		40,000	
Outstanding Expenses	20,000		25,000		Cash and Bank	140,000		85,000	
Proposed Dividend	3,00,000		3,60,000						
Provision for taxation	1,00,000		1,20,000						
	49,70,000		52,95,000			49,70,000		52,95,000	

Additional Information :

- (a) New machinery for Rs. 3,00,000 was purchased and an old machinery costing Rs. 1,45,000 was sold for Rs. 50,000. Accumulated depreciation thereon was Rs. 75,000.
- (b) 10% Debentures was redeemed at 20% premium.
- (c) Investments was sold for Rs. 45,000 and its profit was transferred to general reserve.
- (d) Income Tax paid during the year 2010-11 was Rs. 80,000.
- (e) An interim dividend of Rs. 1,20,000 was paid during the year 2010-11.
- (f) Assume the provision for taxation as current liability and proposed dividend as Non-current liability.
- (g) Investments are non-trade investments. You are required to prepare :
 - (i) Scheduled of changes in Working Capital and
 - (ii) Funds flow statement.

6. A company manufactures a product, currently utilising 80% capacity with a turnover of Rs. 8,00,000 at Rs. 25 per unit. The cost data are as follows :

Material Cost is Rs. 7.50 per unit

Labour Cost is Rs. 6.25 per unit

Semi - Variable Cost (including the variable cost of Rs. 3.75 per unit) is Rs. 1,80,000.

Fixed Cost is Rs. 90,000 upto 80% level of the output and beyond this, an additional amount of Rs. 20,000 will be incurred.

You are required to calculate :

- (a) Activity level at BEP
- (b) No. of units to be sold to earn a net income of 8% of sales.
- (c) Activity level needed to earn a profit of Rs. 95,000.
- (d) What should be the Selling Price per unit, if the BEP is to be brought down to 40% activity level.

7. From the following information prepare Profit and Loss A/c for the year ended on 31st March 2011 and a Balance Sheet as on that date.

Current Assets to Stock	3 : 2
Current Ratio	3
Acid Test Ratio	1
Financial Leverage	2.2
Earning Per Share	Rs. 40
Book Value Per Share	Rs. 100
Average Collection Period (assume 360 days in a year)	} 30 days
Stock Turnover Ratio	
Fixed Assets Turnover Ratio	5.6
Total Liabilities to Net worth	3.75
Net Working Capital	Rs. 10,00,000
Net Profit to sales	10%
Variable Cost	60%
Interest on Long Term Loans	12%
Tax	NIL

8. Write notes on :

- (a) Sales Variances
 - (b) Trading on Equity
 - (c) Marginal Costing
 - (d) Net Present Value Method
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