

MANAGEMENT PROGRAMME (MP)

Term-End Examination

December, 2022

**MS-4 : ACCOUNTING AND FINANCE FOR
MANAGERS**

Time : 3 Hours

Maximum Marks : 100

Note : (i) Attempt any **five** questions.

(ii) All questions carry equal marks.

1. (a) What do you understand by Internal Audit ? How do the functions of internal auditor differ from that of external auditor ?
- (b) What do you understand by Accounting Standards ? Why are they necessary ? Explain with examples.

2. The statement of financial position of ABC Ltd. is as given below :

	1-1-2020 ()	31-12-2020 ()
Cash	40,000	30,000
Debtors	20,000	17,000
Stock	8,000	13,000
Building	1,00,000	80,000
Fixed Assets	6,00,000	5,00,000
	7,68,000	6,40,000

	1-1-2020 ()	31-12-2020 ()
Accounts Payable	29,000	25,000
Capital	7,39,000	6,15,000
	7,68,000	6,40,000

- (i) There were no drawings.
- (ii) Purchase or sale of either buildings or fixed assets has not taken place.

You are required to prepare the cash flow statement of ABC Ltd. for the year ending 31-12-2020.

3. Explain the discounted cash flow techniques of capital budgeting. Discuss briefly the Net Present Value method and Internal Rate of Return method of appraisal of projects. What is Profitability Index and why is it used for this purpose ?
4. Explain the Gross concept and Net concept of working capital. What factors are taken into consideration while determining the quantum of working capital for a business entity ?
5. Distinguish between the following :
 - (a) Contingent liabilities and Accrued liabilities
 - (b) Earnings yield and Dividend yield
 - (c) Fixed Budget and Flexible Budget
 - (d) Preference shares and Bonus shares
6. “While planning the capital structure, debt should be used judiciously.” Explain this statement and describe the various factors that are considered by the promoters of a company while planning the capital structure.

7. You are required to calculate different leverages for firm X and firm Y. Also comment on their relative risk position. The information available in respect of firm X Ltd. and firm Y Ltd. is as follows : Figures in lakhs

	X Ltd.	Y Ltd.
Sales	500	1,000
Less : Variable Cost	200	300
Contribution	300	700
Less : Fixed Cost	150	400
EBIT	150	300
Less : Interest	50	100
Profit before tax	100	200

8. Write explanatory notes on any *four* of the following :
- Break-even point
 - Direct Labour Efficiency Variance
 - Return on Investment
 - Absorption costing
 - Trading on Equity