

**MASTER OF BUSINESS ADMINISTRATION
MANAGEMENT, ACCOUNTING AND FINANCE
(MBAMAFCI)
Term-End Examination
June, 2014**

**MCN-086 : ANALYSIS OF FINANCIAL ACCOUNTS
AND EXTERNAL REPORTING**

Time : 3 hours

Maximum Marks : 100

*Note : (1) Attempt any five questions.
(2) All question carry equal marks.*

1. "Human resource accounting is an attempt to identify and report investments made in human resources of an organisation that are presently not accounted for in conventional accounting practices". Explain this statement and state the implications of HR Accounting. Also discuss briefly the 'Present Value Approach' and the 'Opportunity cost Approach' under HR Accounting Models. 20

2. "Accounts, which have not been adjusted for the impact of inflation can mislead both internal and external users in respect of decisions that may be taken on the basis of such accounts". Elucidate this statement and describe the current purchasing power method of inflation accounting. use illustrative data. 20

3. Discuss the similarities and differences between 'Historical cost Accounting' and 'Current Cost Accounting'. Which one is better according to you? justify. 20
4. The following information is obtained from the income statements of two companies. 20

Amount in Rs.,000

| | XYZ | ABC |
|-------------------------|-------|-------|
| Sales revenue | 557 | 323 |
| Cost of sales | (491) | (202) |
| Gross profit | 66 | 121 |
| Over heads | (50) | (74) |
| Profit before tax | 16 | 47 |
| Note : Capital Employed | 88 | 343 |

You are required to calculate, for each company:

- (a) Gross profit margin
 - (b) Gross profit mark-up
 - (c) Over head in relation to revenue
 - (d) Net profit margin (profit in relation to revenue)
 - (e) Return on capital employed
5. Describe the concept of 'Common Size Income Statement'. What is their objective? Based on the following income statement for ABC Ltd. Analysis the common size income statement and give your observations 20

Income Statement

| Income Statement | 2010 | % | 2011 | % |
|-----------------------------------|-----------|------|-----------|-------|
| Net sales | 10,00,000 | 100% | 11,10,000 | 100% |
| cost of goods sold | 5,00,000 | 50% | 6,50,000 | 58.5% |
| Gross profit margin | 5,00,000 | 50% | 4,60,000 | 41.5% |
| Selling & Administrat expenses | 2,50,000 | 25% | 2.65,000 | 23.9% |
| Depreciation | 80,000 | 8% | 1,10,000 | 10% |
| Operating Profit (EBIT) | 1,70,000 | 17% | 85,000 | 7.6% |
| Interest | 30,000 | 3% | 40,000 | 3.6% |
| Earning Before Taxes | 1,40,000 | 14% | 45,000 | 4% |
| Taxes (.40) | 56,000 | 5.6% | 18,000 | 1.6% |
| Net Income | 84,000 | 8.4% | 27,000 | 2.4% |

6. Describe the objective of Ratio analysis and what are its limitations? Explain any two ratios which are used in the following cases: **20**
- (a) Performance analysis
 - (b) Profitability analysis
 - (c) Liquidity analysis
 - (d) Shareholders Investment
 - (e) Financing Deceisions

7. What is segment analysis? As per IFRS-8, What types of compliances are considered in reporting? Discuss in brief. 20
8. Write short notes on **any four** 4x5=20
- (a) Contingent Liabilities
 - (b) Creative Accounting
 - (c) Global reporting initiatives
 - (d) Capitalisation of environmental expenditure
 - (e) Behavioural Finance
 - (f) Business ethics & External reporting

— ** —