

MANAGEMENT PROGRAMME

Term-End Examination

June, 2022

**MS-004 : ACCOUNTING AND
FINANCE FOR MANAGERS**

Time : 3 hours

Maximum Marks : 100

Note : Attempt any **five** questions. All questions carry equal marks.

1. Define Accounting and discuss the scope of accounting. What is the nature of accounting information generated from accounting records and how do different users use this information ?

2. (a) Explain the terms 'Intangible Assets' and 'Contingent Liabilities', giving suitable examples. How are they treated while preparing the Balance Sheet ? Explain giving reasons.

(b) Distinguish between Operating profit and Net profit. Which of these is to be considered for assessing the operational efficiency of a firm ? Discuss.

3. You are required to complete the following Balance Sheet from the information given below :

Assets	₹	Liabilities	₹
Cash	----	Current Debt	----
Inventory	----	Long-term Debt	----
Total Current Assets	----	Total Debt	----
Fixed Assets	----	Owner's Equity	----
Total Assets	----	Total Debt + Owner's Equity	----

The ratios for the firm are :

Current Debt to Total Debt 0·40

Total Debt to Owner's Equity 0·60

Fixed Assets to Owner's Equity 0·60

Total Assets Turnover 2 times

Inventory Turnover 8 times

Assume that the firm has Owner's Equity of ₹ 1,00,000.

4. What do you mean by 'Cost of Capital' ? Discuss its significance in financial decision-making. Explain how the weighted average cost of capital is computed.
5. Explain the concept and significance of 'Budgetary Control'. Discuss the different types of budgets that are prepared in an organisation.

6. Explain the following statements :

- (a) "A very high current ratio is not desirable."
- (b) High profit margin need not necessarily result in high rate of return on investment.
- (c) Depreciation acts as a tax shield.
- (d) When the use of operating and financial leverages is considerable, small changes in sales will produce wide fluctuations in Return on equity and EPS.

7. The information provided by XYZ Ltd. relating to the half-year ending 30th September, 2021 is as follows :

	₹
Fixed expenses	50,000
Sales value	2,00,000
Profit	50,000

The company has projected a loss of ₹ 10,000 during the second half of the same year.

You are required to calculate :

- (a) The P/V Ratio, Break-Even Point and Margin of Safety for six months ending 30th September, 2021.
- (b) Expected sales volume for the second half of the year assuming that selling price and fixed expenses remain unchanged in the second half of the year also.
- (c) The Break-Even Point and Margin of Safety for the whole year.

8. Write short note on any **four** of the following :

- (a) Zero-based Budgeting
 - (b) Internal Rate of Return
 - (c) Written-Down Value Method of Depreciation
 - (d) Preference Shares
 - (e) Liquidity Ratios
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