No. of Printed Pages : 3

MS-4

MANAGEMENT PROGRAMME

17262

Term-End Examination

December, 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 calculator is **allowed**.*

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1. Write notes on :

(a) Going concern concept

(b) Need for Accounting standards

(c) Accrual concept

(d) Periodicity concept

2. (a) What is CVP analysis ? Does it differ from Break even analysis ? How would you compute Break even point ?

(b) What is Financial leverage ? How does it differ from 'operating leverage' ?

3. What is the importance of preparing cash flow statement for a business organisation ? Discuss the various sources of cash flows and explain the concept of cash cycle.

4. What do you understand by Capital Structure Planning ? Explain the various determinants of the capital structure of a company.

5. (a) What can be the causes of Material Price Variance and Labour Efficiency Variance ?

   (b) Differentiate between :

      (i) Contingent liabilities and estimated liabilities

      (ii) Written down Value method and Straight Line Method of Depreciation.

6. Discuss the concept and significance of 'Budgetary Control'. Explain briefly different types of budgets that are prepared in a business organisation.

7. Gujrat Rayon is subjected to a 50% tax rate and a 10% cost of capital. The company is considering a new finishing machine. The machine will cost Rs. 1,00,000 and will reduce materials waste by an estimated Rs. 25,000 a year. The machine will last 10 years and will have a zero salvage value. Straight line depreciation will be used. You are required to :

   (a) Identify the relevant cash flows

   (b) Compute the present value, net present value and profitability index.

   (c) Is this an attractive project ?

8. Two companies x, y are producing and selling similar product in the same market. For the year ending on 30th March 2010 their forecasted profit and loss accounts are as under.

Sales	x Rs.	Rs. 3 lakh	y Rs.	Rs. 3 lakh
Less variable cost	2 lakh		2.25 lakh	
Fixed cost	0.5 lakh		0.25 lakh	
		2.5 lakh		2.5 lakh
Estimated profits		0.5 lakh		0.5 lakh

Compute :

(a) Profit volume ratio, break even point and margin of safety of each business.

(b) State volume of sales at which each business will earn a profit of Rs. 0.3 lakh.

(c) Which business is likely to earn greater profits in the conditions of

 (i) heavy demand for the product

 (ii) low demand for the product ? Explain giving reasons.