

MANAGEMENT PROGRAMME

Term-End Examination

June, 2016

05937

MS-4 : ACCOUNTING AND FINANCE FOR MANAGERS

Time : 3 hours

Maximum Marks : 100

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

(ii) *Use of calculators is allowed.*

1. (a) What do you understand by the Concept of Conservatism ? Why is it also called the concept of prudence ? Why is it not applied as strongly to-day as it used to be in the past ?
(b) Explain the terms 'Amortisation', 'Contingent Liabilities' 'Opportunity Cost' and 'Authorised Capital' as used in accounting.
2. (a) Distinguish between Operating Profit and Net Profit. Which of these is to be considered for assessing the operational efficiency of a company ? From Shareholders' point of view is PAT more significant than PBT ? Give reasons.
(b) Why are Reserves created by companies ? Distinguish between (i) 'Free Reserves' and 'Specific Reserve' and (ii) Revenue Reserve and Capital Reserve.

3. Explain the following statements :
- (a) Lower the Break-even point, better it is.
 - (b) Time Value of Money is significant in managerial decision making.
 - (c) Fixed costs are variable per unit and variable costs are fixed per unit.
 - (d) Profitability Ratios and Profitability Index are used for different purposes.
4. (a) What do you understand by Flexible Budget ? How does it differ from a Fixed Budget and a Rolling Budget ? Explain the significance of Flexible Budget.
- (b) Discuss the factors which are taken into consideration while preparing the sales Budget.
5. (a) What do you understand by Composite Cost Of Capital ? How is it computed ? Explain with an example.
- (b) "Debt becomes more expensive after a certain limit is reached". Do you agree with this statement ? Give reasons.
6. Write explanatory notes on :
- (a) Trading on Equity
 - (b) Liquidity Ratios
 - (c) Overhead Variances
 - (d) Bonus shares and Rights shares
7. A multi-product company gives the following data on cost and sales of the three products manufactured by it.

	Products		
	X	Y	Z
Sales Mix (P.C of sales value)	40	30	30
Selling Price per unit (₹)	400	250	200
Variable Cost per unit (₹)	200	100	120
Fixed Cost per unit (₹)	100	50	40

Total sales ₹ 1,00,00,000

The current level of production absorbs the entire fixed cost of the company.

The Management of the company wants to discontinue Z and introduce W to improve profitability. The revised data on production and sales are as follows :

	Products		
	X	Y	W
Sales Mix (P.C of sale value)	50	30	20
Selling Price per unit (₹)	400	250	320
Variable Cost per unit (₹)	200	100	180

Total Sales : ₹ 1,00,00,000

You are required to determine :

- Fixed costs of the Company per annum.
- Profit currently earned and profit likely to be earned after the introduction of W.
- Current break-even sales and break-even sales after introduction of W.
- If it is possible to increase sales of any one of the products X, Y and Z by 20% by keeping the total sales unchanged. What alternate mix would you suggest for higher profit ?

8. From the figures given below, prepare a statement showing application and sources of funds during the year 2014-15.

	31 st March 2014	31 st March 2015
Assets		
Fixed Assets (Net)	5,10,000	6,20,000
Investments	30,000	80,000
Current Assets	2,40,000	3,75,000
Discount on Debentures	10,000	5,000
	<u>7,90,000</u>	<u>10,80,000</u>
Liabilities		
Equity Share Capital	3,00,000	3,50,000
Preference Share Capital	2,00,000	1,00,000
Debentures	1,00,000	2,00,000
Reserves	1,10,000	2,70,000
Provision for Doubtful Debts	10,000	15,000
Current Liabilities	70,000	1,45,000
	<u>7,90,000</u>	<u>10,80,000</u>

Additional Information

- (i) A machine costing ₹ 70000 (book value ₹ 40,000) was disposed of for ₹ 25000.
- (ii) Preference shares redemption was carried out at a premium of 5%.
- (iii) Dividend at 15% was paid on equity shares for the year 2013-14.
- (iv) Provision for depreciations stood at ₹ 150000 as on 31st March 2014 and at ₹ 190000 as on 31st March 2015.

- (v) Stock which was valued at ₹ 90000 as on 31st March 2014 was written up to its cost of ₹ 1,00,000 for preparing the profit and loss Account for 2014-15.
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