

**MANAGEMENT PROGRAMME**

Term-End Examination

December, 2012

002

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

*Time : 3 hours*

*Maximum Marks : 100*

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*Note : Attempt any five questions. All questions carry equal marks. Use of calculators is allowed. Present value and annuity tables are to be provided if asked for.*

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1. "Accounting is closely connected with control".  
Elaborate this statement and discuss the role of accounting feedback in the process of control.
  
2. (a) Differentiate between "Fund Flow Statement" and Cash Flow Statement".  
(b) How is a Statement of Change in Working Capital" prepared ? Explain with the help of an illustration.
  
3. (a) What do you understand by Budgetary Control in a modern business ? Explain flexible Budget and distinguish it from fixed Budget.  
(b) Distinguish between Business Risk and Financial Risk.

4. (a) What factors are taken into consideration while determining the dividend policy of a company ?
- (b) Why do the Companies Capitalise their reserves ? What is its affect on the price of the shares of the Company ?
5. (a) What is Break Even Point ? How is it calculated graphically ? What are the assumptions made for it ?
- (b) From the following data relating to a company, calculate :
- (i) The break - even sales, and
- (ii) Sales required to earn a profit of Rs. 6,000 per year.

Years	Total Sales	Total Costs
2010	Rs. 42,500	Rs. 38,700
2011	Rs. 39,200	Rs. 36,852

6. From the following data of ABC Ltd. relating to the budgeted and actual performance for the month of March, compute direct material and direct labour cost variances.

Budgeted data for March :	
Units to be manufactured	1,50,000
Unit of Direct material required (based on standard rates)	4,95,000
Planned purchase for raw material (units)	5,40,000
Average unit cost of direct material (Rs.)	8
Direct labour - hours per unit of finished goods	0.75
Total direct labour costs (Rs.)	29,92,500
Actual data at the end of March :	
Units actually manufactured	1,60,000
Direct material costs (purchase costs based on units actually issued)	43,41,900
Direct material costs (purchase costs based on units actually purchased)	45,10,000
Average unit cost of direct material (Rs.)	8.20
Total direct labour - hours for March	1,25,000
Total direct labour costs for March (Rs.)	33,75,000

7. (a) Discuss the ratios which reveals the profitability of a business.

(b) Using the following data, complete the balance sheet given below.

Gross profit (20% of sales)	Rs. 60,000
Shareholder's equity	Rs. 50,000
Credit sales to total sales	80%
Total assets turnover	3 times
Inventory turnover (to cost of sales)	8 times
Average collection period (a 360 day year)	18 days
Current ratio	1.6
Long term debt to equity	40%

Balance Sheet

<u>Liabilities</u>	Rs.	<u>Assets</u>	Rs.
Creditors		Cash	
Long - term debt		Debtors	
Shareholder's equity		Inventory .....	
	_____	Fixed assets .....	
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8. A company is considering the replacement of one of its moulding machines. The existing machine is in good operating condition, but is smaller than required if the firm is to expand its operations. The old machine is 5 years old, has a current salvage value of Rs 30,000 and a remaining depreciable life of 10 years. The machine was originally purchased for Rs 75,000 and is being depreciated at Rs 5,000 per year for tax purposes. The new machine will cost Rs 1,50,000 and will be depreciated on a straight line basis over 10 years, with no salvage value. The management anticipates that, with the expanded operations, there will be need of an additional net working capital of Rs 30,000. The new machine will allow the firm to expand current operations, and thereby increase annual revenues of Rs 40,000 and variable operating costs from Rs 2,00,000 to Rs 2,10,000. The company's tax rate is 55% and its cost of capital is 10%. Should the company replace its existing machine ?

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