

MANAGEMENT PROGRAMME

Term-End Examination

June, 2019

MS-004 : 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 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 today as it used to be in the past ? Discuss.
- (b) Distinguish between Financial Accounting and Management Accounting. Explain the purposes which they serve and interconnection between them.
2. Discuss the importance of cash and cash flow statement. How is the length of the cash cycle determined ? How does the length of the cash cycle affect the requirement of working capital of a firm ? Discuss.

3. (a) On 1st July 2018, a company purchased machinery for ₹ 50,000, but the accountant, by mistake, debited this amount to purchases of stock-in-trade. The company charges depreciation at the rate of 10% on straight line method and pays tax at the rate of 30%.
- Assess the effect of the above mistake on the Net Profit after tax of the company for the year 2018 – 19.
- (b) What do you understand by Net Worth of a company ? Explain the items included therein and describe their significance to the company.
4. 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 in a business organization.
5. What do you understand by Weighted Average Cost of Capital ? How is it computed ? Explain with an example. What is its significance in capital budgeting decisions ? Explain.
6. Write explanatory notes on the following :
- (a) Trading on Equity
 - (b) Direct Labour Efficiency Variance
 - (c) Internal Rate of Return Method
 - (d) Current, Contingent and Accrued Liabilities

7. The Balance Sheet of Pioneer Ltd. as at 31st March 2017 and 2018 are given below :

Particulars	31.3.2017 ₹	31.3.2018 ₹
Share Capital	6,00,000	8,00,000
Capital Reserve	—	20,000
General Reserve	3,40,000	4,00,000
Profit and Loss A/c	1,20,000	1,50,000
Debentures	4,00,000	2,80,000
Current Liabilities	2,40,000	2,60,000
Provision for Income Tax	1,80,000	1,70,000
Proposed Dividend	60,000	72,000
Unpaid Dividend	—	8,000
	19,40,000	21,60,000
Fixed Assets (At cost)	16,00,000	19,00,000
Less : Depreciation	4,60,000	5,80,000
	11,40,000	13,20,000
Trade Investments	2,00,000	1,60,000
Current Assets	5,60,000	6,60,000
Preliminary Expenses	40,000	20,000
	19,40,000	21,60,000

During the year 2017 – 18 the company :

- (a) Sold one machine for ₹ 50,000, the cost of which was ₹ 1,00,000 and depreciation provided on it was ₹ 40,000.
- (b) Provided ₹ 1,80,000 as depreciation.
- (c) Redeemed 30% of the Debentures @ ₹ 105.
- (d) Sold some Trade Investments at a profit of ₹ 20,000, which was credited to Capital Reserve.
- (e) Decided to value stock at cost, whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31.3.2017 was ₹ 1,08,000. The stock on 31.3.2018 was correctly valued at ₹ 1,05,000.
- (f) Decided to write off Fixed Assets costing ₹ 28,000 on which depreciation amounting to ₹ 20,000 has been provided.

You are required to prepare the Statement of Sources and Application of Funds during 2017 – 18 and the Statement of Changes in Working Capital.

8. “Though the Break-Even Chart and Profit Graph intend to show the same information, they seem to differ from each other.” Examine this statement and explain the meaning and significance of Break-Even Chart and Profit Graph.