

**MS-04**

**Management Programme**

**ASSIGNMENT  
FIRST SEMESTER  
2015**

**MS - 04: Accounting and Finance for Managers**



**School of Management Studies  
INDIRA GANDHI NATIONAL OPEN UNIVERSITY  
MAIDAN GARHI, NEW DELHI – 110 068**

## ASSIGNMENT

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<b>Course Code</b>	<b>:</b>	<b>MS-04</b>
<b>Course Title</b>	<b>:</b>	<b>Accounting and Finance for Managers</b>
<b>Assignment Code</b>	<b>:</b>	<b>MS-04/TMA/SEM-I/2015</b>
<b>Coverage</b>	<b>:</b>	<b>All Blocks</b>

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**Note :** Attempt all the questions and submit this assignment on or before 30<sup>th</sup> April, 2014 to the coordinator of your study center.

1. “Accounting is closely connected with control”. Elaborate this statement and discuss the role of accounting feedback in the process of control.
  
2. The balance sheets of XYZ Ltd. as on Dec. 31<sup>st</sup>, 2013 and 2014 are given below:

### Balance Sheets of XYZ Ltd.

(Figures in Rs.)

<b>Liabilities</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>Assets</b>	<b>31.12.2013</b>	<b>31.12.2014</b>
Share Capital	6,00,000	8,00,000	Fixed Assets	16,00,000	19,00,000
Capital Reserve	----	20,000	Less Dep.	<u>4,60,000</u>	<u>5,80,000</u>
General Reserve	3,40,000	4,00,000		11,40,000	13,20,000
Profit & Loss A/c	1,20,000	1,50,000	Investment	2,00,000	1,60,000
Debentures	4,00,000	2,80,000	Current Assets	5,60,000	6,60,000
Current Liabilities	2,40,000	2,60,000	Preliminary Exp.	40,000	20,000
Proposed Dividend	60,000	72,000			
Provision for Tax	1,80,000	1,70,000			
Unpaid dividends	---	8,000			
	<u>19,40,000</u>	<u>21,60,000</u>		<u>19,40,000</u>	<u>21,60,000</u>

### Additional Information:

During the year 2014, the Company:

1. Sold one machine for Rs. 50,000, the cost of which was Rs. 1,00,000 and the depreciation provided on it was Rs. 40,000.
2. Provided Rs. 1,80,000 as depreciation.
3. Sold investments at a profit of Rs. 20,000, which was credited to Capital Reserve.
4. Redeemed 30% of the Debentures @ 105.
5. Decided to value stock at cost, whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31.12.2013 was Rs. 1,08,000. The stock on 31.12.2014 was correctly valued at Rs. 1,50,000, and
6. Decided to write off fixed assets costing Rs. 28,000 on which depreciation amounting to Rs. 20,000 has been provided.

Prepare the Funds flow statement for the year 2014.

3. A company engaged in production of dairy products wants to buy a new spray dryer to replace one which is having frequent breakdown. It received offers for two models of spray dryers S<sub>1</sub> and S<sub>2</sub>. Further details regarding these models are given below:

Particulars		S <sub>1</sub>	S <sub>2</sub>
Installed capacity	(units)	10,000	10,000
Fixed overhead p.a.	(Rs.)	2,40,000	1,00,000
Estimated profit at the above capacity	(Rs.)	1,60,000	1,00,000

The skimmed milk powder manufactured using this type of machine (S<sub>1</sub> or S<sub>2</sub>) is sold at Rs. 100 per unit.

You are required to determine:

- (a) Break even level of sales for each model.
  - (b) The level of sales at which both the models will earn the same profit.
  - (c) The model suitable for different levels of demand for the product.
4. a) Describe the characteristics of a flexible budget?  
b) "For Private Sector' budgets are important in profit planning, but budgets are costly for Not- for – Profit organization" Discuss.
  5. Rearrange the given statement in a form suitable for analysis and calculate:-

- i) Ratio of current assets to current liabilities
- ii) Ratio of outside liabilities to net worth
- iii) Ratio of net worth to fixed assets
- iv) Ratio of sales to fixed assets
- v) Ratio of sales to net worth
- vi) Liquid ratio
- vii) Fixed assets ratio
- viii) Proprietary ratio
- ix) Capital turnover
- x) Debtors Turnover ratio

### Condensed Balance Sheet

	<b>2013</b>	<b>2014</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Assets:</b>		
Cash at Bank	1,53,800	2,60,200
Trade debtors	1,12,600	1,17,100
Stock	5,61,600	4,94,600
Fixed Assets less:- Depreciation	21,72,000	21,98,100
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	<b>30,00,000</b>	<b>30,70,000</b>
<b>Liabilities and Capital</b>		
Creditors	2,00,000	1,60,000
Bills payable	1,27,500	65,000
Debentures	10,00,000	10,00,000
Reserve and Surplus	6,72,500	8,45,000
Paid up capital	10,00,000	10,00,000
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	<b>30,00,000</b>	<b>30,70,000</b>
<b>Sales</b>	<b>18,00,000</b>	<b>19,50,000</b>