MS-04

Management Programme

ASSIGNMENT
FIRST SEMESTER
2009

MS-04: Accounting and Finance for Managers

School of Management Studies
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
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Dear students,

Please attempt the assignment questions given in this leaflet/booklet and submit it to the coordinator of the study center, you are attached with, on or before 30th April, 2009.

MS-04: ACCOUNTING AND FINANCE FOR MANAGERS

ASSIGNMENT

Course Code	:	**MS-04**
Course Title	:	**Accounting and Finance for Managers**
Assignment Code	:	**MS-04/SEM-I/2009**
Coverage	:	**All Blocks**

Attempt all the questions.

Q1. "Accounting is an information system". Do you agree? Substantiate your answer with reasons. How does an accountant help in planning and controlling a large commercial organization? Explain.

Q2. Prepare a cash flow statement from the following Balance Sheets as at 31-3-08 and 31-3-07. presented by PNX fertilizers Ltd.

Balance Sheet

(Rs. in thousands)

		31-3-08		31-3-07
Equity share capital	8500		7000	
General Reserve	3800		4000	
Profit & Loss Account	0		250	
Share Premium Account	1500		750	
Shareholder's Funds		13800		12000
Secured Loans	4800		5000	
Unsecured Loans	5350		4000	
Loan funds		10150		9000
Sources		23950		21000
Fixed Assets				
Gross Block	22400		21000	
Accumulated Depreciation	3450		3200	
Net Block		18950		17800
Capital Work-In-progress		1860		0

Investments		1650		2320
Current Assets, Loans & Advances				
Inventories	2510		2600	
Debtors	1090		1200	
Cash & Bank Balances	120		280	
Loans	1700		200	
Advance Tax	0		500	
	5420		4780	
Creditors	1050		1200	
Outstanding expenses	30		0	
Tax Provision	0		500	
Proposed Dividend	3400		2800	
	4480		4500	
Net Current Assets		940		280
Miscellaneous Expenditure		550		600
Applications		23950		21000

Other Information :

1) Fixed assets costing Rs. 4,00,000, accumulated depreciation Rs. 3,00,000 were sold for Rs. 1,50,000.

2) Actual tax liability for 2006-07 was Rs. 5,00,000.

3) Loans represent long term loans given to group companies.

4) Interest on loan funds for 2006-07 was Rs. 14,21,000 and interest and dividend income were Rs.4,02,000.

5) Investments costing Rs. 20,00,000 were sold for Rs. 25,00,000.

Q3. You are required to compute all possible Variances from the information that is being provided for XYZ Ltd. The firm maintains its books of Cost Accounts under standard costing system in which the W.I.P. is debited with actual costs and credited with standard costs.

The standard cost card for Product P shows:

			Cost per Unit (Rs)
Direct material	1 pc	@ Rs. 1.50	1.50
Direct -labour	3 hrs.	@Re. 1.00	3.00
Factory overhead	3 hrs.	@ Rs. 2.50	7.50
			12.00

Based on Budgeted Factory overhead Rs. 7,500 and Budgeted Labour Hours 3,000.

The following cost and production data are available for the month of March, 1998 in respect of Product P.

Cost data

1.	Actual materials used in Production	1,100 pcs	@ Rs. 1.60
2.	Analysis of Pay Roll shows direct labour hrs.	2,700	@ Rs. 1.20
3.	Factory overhead as per Factory O.H. Control A/c (to be charged to Product P)	Rs. 7,425	

Production data

Units completed 950 units

Units in closing W.I.P. 100 units 50% completed

Cost of units remaining in W.I.P.A/c is transferred to W.I.P. Inventory A/c

Q4. Collect information about the different types of budgets prepared in your organization or any other organization of your choice and discuss the relevance of these budgets to the organization under consideration.

Q5. Yenki Ltd. is considering two mutually exclusive projects A and B. Project A costs Rs. 30,000 and Project B Rs. 36,000. The NPV probability distribution for each project is as given below :

Project A		**Project B**	
NPV Estimate	Probability	NPV Estimate	Probability
Rs. 3,000	0.1	Rs. 3,000	0.2
6,000	0.4	6,000	0.3
12,000	0.4	12,000	0.3
15,000	0.1	15,000	0.2

You are required to compute:

i) the expected Net Present Value of Projects A and B.

ii) The risk attached to each project i.e., Standard deviation of each probability distribution.

iii) The Profitability Index of each project.

Which project do you consider more risky and why?