MS-04

Management Programme

ASSIGNMENT
SECOND SEMESTER
2014

MS-04: Accounting and Finance for Managers

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

ASSIGNMENT

Course Code	**:**	**MS-04**
Course Title	**:**	**Accounting and Finance for Managers**
Assignment Code	**:**	**MS-04/TMA/SEM-II/2014**
Coverage	**:**	**All Blocks**

Note: Attempt all the questions and submit this assignment on or before 31st October, 2014 to the Coordinator of your study centre.

1. Study the Accounting Information System being followed in your organization, Prepare a report on the functioning of this system and also give your views on how the system could be improved.

2. You are required to prepare the company's Balance Sheet as on 31st March 2014, and its Profit and Loss Account for the year ended on the date, from the information provided and also making necessary assumptions wherever required. The under mentioned balances appeared in the books of Dingo Flour Mills Ltd, as on 31st March 2014.

	Rs.		**Rs.**
Share Capital (Authorized and Issued), 60,000 Shares of Rs. 10. Each.	6,00,000	Motor Vehicles	15,000
General Reserve	2,50,000	Furniture	5,000
Unclaimed Dividends	6,526	Stocks	1,72,058
Trade Creditors	36,858	Book Debts	2,23,380
Buildings	1,00,000	Investments	2,88,950
Purchases	5,00,903	Depreciation Reserve	71,000
Sales	9,83,947	Cash Balances	72,240
Manufacturing Expenses	3,59,000	Director's Fees	1,800
Establishment	26,814	Interim Dividend	15,000
General Charges	31,078	Interest	8,544
Machinery	2,00,000	Profit and Loss Account. 1st April 2013 (Cr.)	16,848
		Staff Provident Fund	37,500

Additional Information:-

a) The stock of wheat and flour on 31st March 2014, were valued at Rs. 1,48,680.

b) Provide Rs. 10,000 for Depreciations of block, and Rs. 1,500 for the company's contribution to the Staff Provident Fund.

c) Interest accrued on investment amounted to Rs. 2,750.

d) A claim of Rs. 2,500 for workmen's compensation is being disputed by the company.

e) Establishment includes Rs. 6,000 paid to the Manager who is entitled to remuneration @ 5% of profit ascertained according to the companies Act, subject to a minimum of Rs. 10,000 p.a.

3. Gattu Corporation makes a driveway sealing compound that it sells in 5 gallon cans for Rs. 50 Per can. Company's sales personnel have estimated annual sales of 3,600 units divided among the quarters as follows:

First quarter	1,000 units
Second quarter	1,100 units
Third quarter	800 units
Fourth quarter	700 units

Operating capacity of the manufacturing facilities is 900 units per quarter. Production of more than 900 units requires additional costs. Production cost is Rs. 30 per unit and there would be a 20 percent increase in cost for units in excess of 900 per quarter. The production manager is evaluated on the cost of production, whereas the sales manager is evaluated on the basis of sales revenue. The sales manager claims that if he had only 900 units to sell in each of the first two quarters, the unsatisfied customers would switch to new products and sales in each of the last two quarters would be 50 units less than estimated.

You are required to prepare sales and production budgets to determine how production should be scheduled and to resolve the conflict between the sales and production managers.

4. Kongo & Sons is considering two mutually exclusive projects. Both need a initial cash outlay of Rs. 10,000 each, and have a life of five years. Company's required rate of return is 10 percent and pays tax at a 50 per cent rate. The projects are going to be depreciated on a straight line basis. The before taxes cash flows expected to be generated by the projects are as follows:

	Year				
	1	2	3	4	5
Project P (Rs.)	4,000	4,000	4,000	4,000	4,000
Project Q (Rs.)	6,000	3,000	2,000	5,000	5,000

Calculate for each project: 1) the payback (2) the average rate of return (3) the net present value and profitability index, and (4) the internal rate of return. Which project should be accepted and why?

5. (a) What do you mean by Financial Planning? What would be the consequences if there are no budgetary control systems?

   (b) Explain briefly about the determinants of Capital Structure?