

Reg. No. :

D 503

Q.P. Code : [07 DMB 03]

(For the candidates admitted from 2007 onwards)

**M.B.A./EXECUTIVE M.B.A. DEGREE
EXAMINATION, MARCH 2021.**

First Year/First Semester

ACCOUNTING AND FINANCE FOR MANAGERS

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

(5 × 20 = 100)

1. Discuss the accounting principles in detail.
2. Explain Inter-firm comparison and intra-firm comparison with suitable examples.
3. What is a cost sheet? Illustrate with a suitable example. Also give the specimen format of a cost sheet.
4. X Company Ltd is considering three different plans to finance its total project cost of Rs.100 lakhs.

They are

- | | | |
|-------------|---------------------------|------------|
| (a) Plan A: | Equity (Rs.100 per share) | – 50 lakhs |
| | Debt (8% Debentures) | – 50 lakhs |
| (b) Plan B: | Equity (Rs.100 per share) | – 34 lakhs |
| | Debt (8% Debentures) | – 66 lakhs |
| (c) Plan C: | Equity (Rs.100 per share) | – 25 lakhs |
| | Debt (8% Debentures) | – 75 lakhs |

Sales for the first three years of operations are estimated at Rs.100 lakhs, Rs.125 lakhs and Rs.150 lakhs and a 10% profit before interest and taxes is forecasted to be achieved. Corporate taxation to be taken at 50%. Compare earnings per share in each of the alternative plans of financing for the three years.

5. What do you understand by “Financing of Working Capital”? Explain in detail.
6. What is a fund flow statement? Explain its uses, significance and limitations.
7. Following information is taken from the records of a limited company:

Installed capacity	: 1000 units
Operating capacity	: 800 units
Selling price per unit	: Rs.10
Variable cost per unit	: Rs.7

Calculate operating leverage under the following situations:

Fixed cost:

Situation A – Rs.800

Situation B – Rs.1,200

Situation C – Rs.1,500

Particulars	Situation A Rs.	Situation B Rs.	Situation C Rs.
Sales	8,000	8,000	8,000
Less: Variable cost	5,600	5,600	5,600
Contribution (C)	2,400	2,400	2,400
Less: Fixed Cost (F)	800	1,200	1,500
Operating Profit (OP)	1,600	1,200	900
Operating leverage (C/OP)	2,400	2,400	2,400
	1,600	1,200	900
	1.5	2	2.67

A 10 per cent increase in sales would be accompanied by an increase in operating profits of 15% in situation A, 20% in situation B and 26.7% in situation C. Situation C is of high operating leverage since the operating profit will increase by one $2\frac{1}{2}$ time (26.7% for every 10% increase in Sales). This is high risk situation too because a small decrease in sales will result in more decrease in profits.

8. Explain in brief all aspects of management of cash in a business organization.