(c) During the year part of the fixed assets costing Rs. 10,000 was sold for Rs. 12,000 and the profit was included in P & L A/c. You are required to prepare cash flow statement for the year 2006.

8. Two projects M and N which are mutually exclusive are being under consideration. Both of them require an investment of Rs. 1,00,000 each. The net cash inflows are estimated as under:

Year	M	N
	Rs.	Rs.
1	10,000	30,000
2	40,000	50,000
3	30,000	80,000
4	60,000	40,000
5	90,000	60,000

The company's targeted rate of return on investments is 12%. You are required to assess the projects on the basis of their present values, using

(a) NPV method and

(b) Profitability index method.

Present values of Re.1 at 12% interest for five years are given below:

1st year : 0.893; 2nd year : 0.797; 3rd year : 0.712; 4th year : 0.636; 5th year : 0.567.

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Reg. No. : ....

D 196 **Q.P. Code : [07 DMB 03]**

(For the candidates admitted from 2007 onwards)

M.B.A. DEGREE EXAMINATION, DECEMBER 2008.

First Year

ACCOUNTING AND FINANCE FOR MANAGERS

Time : Three hours Maximum : 100 marks

Answer any FIVE questions.

Each question carries 20 marks.

($5 \times 20 = 100$)

1. Explain the need and significance of depreciation. State the difference between 'straight line method' and 'diminishing balance method' of providing depreciation.

2. What is meant by financial statement analysis? Discuss the various techniques of financial statement analysis.

3. What is budgetary control? Examine the role of budgeting in financial control.

4. Define the concept of cost of capital. Explain how would you determine the weighted average cost of capital of a firm.

5. What is capital structure? Explain the major determinants of capital structure.

6. The following balances are drawn from the books of M/S Arvind mills as on 31.12.2007.

Particulars	Amount Rs.
Land	1,00,000
Building	2,00,000
Sales returns	10,000
Purchase returns	5,000
Bank overdraft	15,000
Creditors	20,000
Wages	12,000
General expenses	5,000
Bad debts	1,000
Capital	2,81,000
Sales	3,00,000
Purchases	1,75,000
Stock (1.1.2007)	25,000
Debtors	50,000
Cash in hand	5,000
Salaries	10,000
Goodwill	15,000
Selling expenses	12,000
Insurance	1,000

Adjustments:

(a) Closing stock is Rs. 30,000.

(b) Provide for depreciation @ 10% on buildings.

(c) Write off further bad debts Rs. 1,000.

(d) Salaries yet to be paid Rs. 3,000.

You are required to prepare a trading and profit and loss a/c and balance sheet of M/s Arvind Mills.

7. The summarised balance sheets of Kannan Ltd., as on 31.12.2005 and 31.12.2006 are as follows :

Liabilities	2005 Rs.	2006 Rs.	Assets	2005 Rs.	2006 Rs.
Share capital	4,50,000	4,50,000	Fixed assets	4,00,000	3,20,000
			Investments	50,000	60,000
General reserve	3,00,000	3,10,000	Stock	2,40,000	2,10,000
			Debtors	2,10,000	4,55,000
P/L a/c	56,000	68,000	Bank	1,49,000	1,97,000
Creditors	1,68,000	1,34,000			
Tax provision	75,000	10,000			
Mortgage loan	–	2,70,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Additional Information :

(a) Investments costing Rs. 8,000 were sold for Rs. 8,500.

(b) Tax provision made during the year was Rs. 9,000.