

2007

Subject Code—7310

**M.I.B. (First Year) EXAMINATION**

MIB-103

ACCOUNTING AND FINANCE

*Time : 3 Hours*

*Maximum Marks : 100*

**Note** : Attempt any *Five* questions. All questions carry equal marks.

1. "Generally Accepted Accounting Principles provide good scope to management for manipulating accounts according to their wishes." Do you agree with the statement ? Explain with the help of examples.
2. What do you mean by depreciation, depletion and amortisation ? Critically examine the various methods of calculating depreciation.

3. What adjustment entries are required to be made at the time of preparing final accounts ? Give illustrative examples of any five such adjustment entries.

4. In a factory the capital employed is 170 lakhs out of which Rs. 100 lakhs represent equity capital and reserves, Rs. 50 lakhs long-term borrowings on debentures and Rs. 20 lakhs cash credit from banks. The working capital of the company is Rs. 85 lakhs made up of stocks Rs. 30 lakhs, stores Rs. 14 lakhs, debtors Rs. 35 lakhs, advances and deposits etc. Rs. 6 lakhs. Annual sales is Rs. 80 lakhs. Calculate the following ratios :

- Current Ratio
- Liquidity Ratio
- Debt Equity Ratio
- Proprietary Ratio
- Fixed Assets to Proprietor's Funds
- Fixed Assets Ratio.

5. What purpose is served by instituting budgetary control system in an organisation ? What are the different steps involved in zero-base budgeting and how is it useful to the business ?

6. What is Responsibility Accounting ? Differentiate Expense Centre, Profit Centre and Investment Centre with suitable examples.

7. Sit and Stand Company Ltd. is faced with a problem of choosing among two alternative investments. It can invest either in Project A just now or wait for a year and invest in Project B. The following are the cash flows of the two projects :

Project	Years			
	0	1	2	3
	Rs.	Rs.	Rs.	Rs.
A	- 6,000	8,000	2,000	2,000
B		- 8,000	12,000	4,000

Assume a required rate of return of 6 per cent and suggest which project should the firm select. In case of contradictory results which criteria should be used to select the project and why ?

8. (a) What do you understand by Reporting to Management ?

(b) Give a comparative description of various methods of ranking investment proposals.