

## **COMPREHENSIVE ASSIGNMENT**

of

*Term II, 'Accounting For Management' Course (Part I)*

for

*PGP-HRM Students*

A student need not have any previous experience or technical background for the preparation of this assignment.

### **Important Deadlines and Procedures:**

The assignment deadline is 25/10/2011, Time: 3.00 PM. No submissions will be accepted after the deadline neither any excuses would be accepted. Submission of the same would be done with Ms. Bincy Vinod [bincy@xlri.ac.in]. Delay in receipt of assignment will lead to an **incomplete grade** being awarded to the candidate. The total assignment marks will be limited to 15.

### **THE PROBLEM:**

You are launching into a business in the name and style of your choice. It has to be a manufacturing business. It means that your business would involve, buying materials, transforming it using plant and machinery, and selling it. Keep in mind the conditions given in this assignment. Strictly adhere to the conditions.

### **ASSUMPTIONS AND REQUIREMENTS:**

You can make any assumption, provided they are reasonable in an actual business situation, subject to the conditions 1 to 14 (detailed below). Realistic nature of the assignment would involve factors such as volume of turnover, cost structure, type and nature of transaction. Please draw up the accounts in either simple equation form (as discussed in the class) OR in accounting records form (will also be briefly discussed in the class); and financial statements in proper form as if they were made out for a real life business.

### **CONDITIONS:**

1. Date of commencement of business is to be your date of birth.

For example, if your date of birth is 10<sup>th</sup> January 1981 then your date of commencement will be 10<sup>th</sup> January.

2. Capital to be contributed will depend on your roll no. as listed below:

- ◆ 01 to 20: Your Register/roll number multiplied by Rs 1.1 Crore
- ◆ 21 to 40: Your Register/roll number multiplied by Rs 10.9 Crore
- ◆ 41 to 60: Your Register/roll number multiplied by Rs 13,000

- ◆ 61 to 80: Your Register/roll number multiplied by Rs 12.7 Lakh
- ◆ 81 to 100: Your Register/roll number multiplied by Rs 0.95 Lakh
- ◆ 101 and above: Your Register/roll number multiplied by Rs 46.1 Lakh

3. Long term loans equal to maximum of 2 times the capital is available at the rate of 15% per annum. Long term loan has to be at least being equal to capital.
4. Government grant will be 20% of your contribution or value of fixed asset, whichever is low.
5. Fixed assets to start with can vary for the different capital group (based on your roll no) as follows:

- ◆ 01 to 40: 25% to 50% of long term funds available
- ◆ 41 to 80: 51% to 60% of long term funds available
- ◆ 81 and above: 61% to 80% of long term funds available

Life of asset can vary between 5 to 10 years for different assets.

6. Depreciation is to be computed on yearly basis. Use straight line method for even number groups & WDV for odd number groups.
7. Sales volume will increase by 10% over the previous year, sale price will increase by 5% over the previous month [students can appropriately play with the purchase price also].
8. Credit sales can be four times cash sales.
9. Credit purchase can be three times cash purchase.
10. Credit term are as follows, for different roll numbers (there is some credit purchase and sale in all cases):
  - ◆ 01 to 30: 30 days and 60 days for purchase and sale
  - ◆ 31 to 60: 90 days and 30 days for purchase and sale
  - ◆ 61 to 90: 30 days and 90 days for purchase and sale
  - ◆ 91 and above: 90 days and 45 days for purchase and sale

11. Wage cost could be 10% to 30% of sales.
12. All other costs shall remain stable over the period.
13. Assume no gestation period. That is, the business starts operations from day one. Irrespective of your starting date of business – your first accounting period would end on 31<sup>st</sup> march of that year [with a condition of business running for at least 3 months]. For example:

- If you start a business on 10 Jan. 1981, then your first accounting period will end on 31 March 1982.
- If you start a business on 31 Dec. 1980, then your first accounting period will end on 31 March 1981.

14. You need to have at least 12 transactions per year.

### **REQUIRED: (Part I)**

1. You are required to prepare the accounts of the business as if owned by you as an individual proprietorship in any name and style of your choice, with in the frame work of the conditions one through ten detailed above, for three accounting periods.
2. Prepare a precise chronological statement of all transactions.
3. Prepare all the three financial statement [i.e. Balance Sheet, Income Statement and Cash Flow Statement] for each accounting period. You need to have three periods.

Note: Only hand written submission is allowed.

### **Some Frequently Asked Questions (FAQs):**

1. This seems to be a big assignment. How can I spare time for this assignment?

No. This is not a big/large assignment. Once basic concepts discussed in class are clear – this assignment takes around 1-2 hours per accounting period. In other words, you need to spend a total of 5-7 hours to complete. And believe me, in life there are no free lunches ... at least not in this Janma ☺ (personal experience!). To learn ... some effort is needed.

2. Is there an incentive if the assignment submission is larger?

No.

3. Does this assignment need a basic background of accounting?

No, it does not. It just needs your time and efforts.

4. Where can I get sample assignments and related material?

Two quick places would be:

- (a) 'Financial Accounting for Management' by Ramachandran, online resource website: [http://highered.mcgraw-hill.com/sites/007133341x/information\\_center\\_view0/](http://highered.mcgraw-hill.com/sites/007133341x/information_center_view0/)
- (b) Personal website: [www.kakani.net](http://www.kakani.net)

Wish Happy Learning!

Ram