

COMPREHENSIVE ASSIGNMENT

for

Management Accounting Course / PGCBM 2012 (Batch 21) / XLRI Jamshedpur

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 25-02-2012, Time 4.30 PM. No submissions will be accepted after the deadline neither any excuses would be accepted. The submission procedure would be explained by Ms. Nitu Prasad (email id: nitu@xlri.ac.in) and other Satellite Office staff. Delay in receipt of assignment will lead to an **incomplete grade** being awarded to the candidate. The total assignment marks will be limited to 40. The assignments can be either hand written or soft copy submission. However, historically I have found hand written to be of better quality & getting more marks.

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 11 (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 and reports 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 10th January 1981 then your date of commencement will be 10th January.

2.1 Capital to be contributed will depend on the last three digits of your SMS Id as listed below:

- ◆ 001 to 200: Your Register/roll number multiplied by Rs 6
- ◆ 201 to 400: Your Register/roll number multiplied by Rs 4

- ◆ 401 to 600: Your Register/roll number multiplied by Rs 3
- ◆ 601 to 800: Your Register/roll number multiplied by Rs 2
- ◆ All others: Your Register/roll number multiplied by Rs 7

So, SMS Id **2215595** will have a contributed capital of Rs. 6,646,785.

2.2 Long term loans equal to maximum of 2 times the capital is available at the rate of 10% per annum. Long term loan has to be at least equal to capital.

3. Every student will have at least 30% of his total assets invested in fixed assets. Depreciation on monthly basis is to be computed using the straight line method of depreciation. Life of asset can vary between 5 to 10 years for different assets.

4. Credit sales can be seven times cash sales.

5. Credit purchase can be eight times cash purchase.

6. Wage cost could be 10% to 30% of sales.

7. Cash balance at the end of any year is to be maximum of 4 month and minimums of 1 month cash expenses. Deployment of surplus cash on short term inter-corporate market at 6% per annum is possible.

8. Sales volume will increase by 10% over the previous month, sale price will increase by 5% over the previous month and purchase price will increase by 5% every 15 days, all reckoned on a calendar month basis.

9. All other costs will remain stable over the period.

10. 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 31st 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.

11. You need to have at least 10 transactions per accounting period.

REQUIRED: Part I(Compulsory and worth 30 marks)

- 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 eleven 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.

REQUIRED: Part II (Compulsory and worth 10 marks)

- 1) Analyze the financial statement of the company using common ratios discussed in the class, for the above three accounting periods.
- 2) Analyze the cash flow statement of the company, prepared as above.

Some Frequently Asked Questions (FAQs):

1. This seems to be a big assignment. But, I have lot of work in office. 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 5-10 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.

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

Two quick places would be:

- ❖ ‘Financial Accounting for Management’ by Ramachandran, online resource website: http://highered.mcgraw-hill.com/sites/007133341x/information_center_view0/
- ❖ Personal website: www.kakani.net

Wish Happy Learning!

Ram