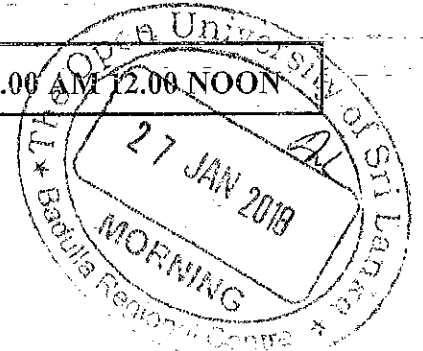THE OPEN UNIVERSITY OF SRI LANKA
BACHELOR OF MANAGEMENT STUDIES DEGREE PROGRAMME – LEVEL 05
ASSIGNMENT TEST – 2017/18
FINANCIAL MANAGEMENT AND MANAGERIAL ACCOUNTING – MCU3208
DURATION – TWO (02) HOURS

DATE: 27.01.2018   TIME: 10.00 AM 12.00 NOON

Answer any three (03) questions only.
Non programmable calculators are allowed.
All questions carry equal marks.

1)   i.   "As a member of a management team management accountant plays significant role in the organization". Explain this statement highlighting major roles of a management accountant.

     ii.   Explain the difference between management and financial accounting.

2)   i.   What is meant by a Contribution Sales (C/S) ratio? How is this ratio useful in making effective business decisions?

     ii.   ABC Corporation Ltd. has prepared the following budget estimation for the next year.

	Rs.
Variable Costs	6/= (per unit)
Fixed Costs	34,000/=
Sales Value	150,000/=

The company expects to sell 15,000 units for the next year.
50% of the variable cost is direct material cost.

From the above information, you are required to;

(i)   Calculate the Sales Contribution (C/S) ratio, Break Even Point (BEP) in units and Margin of Safety.

(ii)   Calculate the revised C/S ratios, BEPs in units and Margin of Safety considering each of the following changes;

     (a) Increase of 20% in direct material costs.
     (b) Decrease of 10% in selling price.
     (c) Increase of sales volume by 2,000 units.
     (d) Increase of Rs. 6,000/= in fixed costs.

3) "Business finance is a business activity which is concerned with the conservation and acquisition of capital funds in meeting financial needs and overall objective of a business firm"

(i) Explain the term "finance".

(iii) Explain four (04) major financial decisions.

(iv) "The overall objective of finance is to maximize shareholder wealth". Briefly explain this statement.

4) (i) Why do not the rational individuals value the opportunity to receive a specific amount of money today with the opportunity to have the same amount at some future date?

(ii) Suppose you have Rs.10,000/= that you can deposit for a 3 years period. A bank offers the following alternative interest payment schemes.

(a) An annual interest rate of 12%.

(b) An annual interest rate of 10% ; interest being paid semiannually.

(c) An annual interest rate of 9% ; interest being paid in every four (04) months.

(d) An annual interest rate of 8% ; interest being paid monthly.

Prove which of the above interest scheme should be selected with providing appropriate calculations.

-*Copyrights reserved*-

2