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| **SESSION** | **FEB- MAR, 2025** |
| **PROGRAM** | **BACHLOR OF BUSINESS ADMINISTRATION (BBA)** |
| **SEMESTER** | **4** |
| **COURSE CODE & NAME** | **DBB2203 MANAGEMENT ACCOUNTING** |
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|  |  |

**Assignment Set – 1**

**1. Explain the meaning and importance of Fund Flow Statement. How is the Fund Flow Statement prepared? 5+5**

**Ans 1.**

**Meaning, Importance, and Preparation of Fund Flow Statement**

**Meaning of Fund Flow Statement**

A Fund Flow Statement is a financial report that shows the movement of funds within an organization during a specific accounting period. It explains how financial resources have been generated and used, focusing specifically on long-term funds. Unlike the cash flow statement which deals only with cash transactions, the fund flow statement emphasizes changes in working capital and highlights the sources and applications of funds. It acts as a bridge between two balance sheets, showing reasons for changes in the financial position of a company over

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**2. XYZ company expects the following net cash inflows for the next five years: Rs 5,000, Rs.10,000, Rs.10,000, Rs. 3,000, and Rs.3,000, respectively from the Project. The initial investment of the project is Rs.20,000.**

**Calculate:**

**a. Payback period**

**b. Net present value when the discount rate is 10%.**

**c. Profitability Index 3+4+3**

**Ans 2.**

**Payback Period, NPV, and Profitability Index Calculation**

**Given Data:**

* **Initial Investment** = Rs. 20,000
* **Cash Inflows (Years 1–5)** = Rs. 5,000, Rs. 10,000, Rs. 10,000, Rs. 3,000, Rs. 3,000
* **Discount Rate** = 10%

**(a) Payback Period**

**Cumulative Cash Inflows:**

|  |  |  |
| --- | --- | --- |
| **Year** | **Cash Inflow (Rs.)** | **Cumulative Cash Inflow (Rs.)** |
| 1 | 5,000 | 5,000 |
| 2 | 10,000 | 15,000 |

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**3. What is the concept of ‘Working Capital’? What factors determine the needs of working capital and how is it measured? 3+7**

**Ans 3.**

**Concept of Working Capital, Factors Determining Its Needs, and Its Measurement**

**Concept of Working Capital**

Working capital refers to the capital required by a business to carry out its day-to-day operational activities such as purchasing raw materials, paying wages, managing inventories, and handling short-term liabilities. In simple terms, working capital is the difference between current assets and current liabilities. Current assets include cash, accounts receivable, and inventory, while current liabilities consist of obligations like trade payables, short-term loans, and outstanding expenses. Working capital ensures the smooth functioning of business operations and is essential for maintaining liquidity, solvency, and operational efficiency.

**Assignment Set – 2**

**4. Write a note on:**

**a. Scope of Management Accounting**

**b. Difference between Management accounting and Cost accounting**

**Ans 4.**

**Scope of Management Accounting and Difference Between Management Accounting and Cost Accounting**

**a. Scope of Management Accounting**

The scope of management accounting is vast and encompasses a wide range of activities that help management in planning, controlling, decision-making, and performance evaluation. One of the primary components of management accounting is financial planning and analysis. Management accountants prepare budgets and forecasts that guide strategic and operational decisions. These budgets help in resource allocation, performance monitoring, and identifying

**5. What is Walter’s Dividend Model? Explain how it helps in determining the value of a firm. 4+6**

**Ans 5.**

**Walter’s Dividend Model**

**Concept of Walter’s Dividend Model**

Walter’s Dividend Model is a financial theory that establishes a relationship between a firm’s dividend policy and its market value. Developed by Professor James E. Walter, the model emphasizes that dividend decisions are not irrelevant, as proposed in some other models, but in fact have a significant influence on the valuation of the firm. According to Walter, the choice of whether a company should distribute its earnings as dividends or reinvest them back into the

**6. Statement of Profit and Loss of ABC Ltd.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **31st March 2024** | **31st March 2025** |
| **Revenue from Operation (Sales)** | **7,00,000** | **8,50,000** |
| **Other Income** | **30,000** | **30,000** |
| **Total Revenue(I+II)** | **7,30,000** | **8,80,000** |
| **Expenses**  **Material Consumed**  **Manufacturing Expenses**  **Other Expenses** | **3,30,000**  **1,20,000**  **1,20,000** | **4,20,000**  **1,30,000**  **1,30,000** |
| **Total** | **5,70,000** | **6,80,000** |
| **Profit Before Tax (III-IV)** | **1,60,000** | **2,00,000** |
| **Tax @ 50%** | **80000** | **1,00,000** |
| **Profit After Tax (V-VI)** | **80,000** | **1,00,000** |

**Prepare a Comparative Statement of Profit and Loss.**

**As a management accountant, write an interpretation of the comparative statement of profit and loss. 7+3**

**Ans 6.**

**Comparative Statement of Profit and Loss for ABC Ltd.**

**For the Years Ended 31st March 2024 and 31st March 2025**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **2023–24 (Rs.)** | **2024–25 (Rs.)** | **Absolute Change (Rs.)** | **% Change (2025 over 2024)** |
| **Revenue from Operations** | 7,00,000 | 8,50,000 | 1,50,000 | 21.43% |
| **Other Income** | 30,000 | 30,000 | 0 | 0.00% |
| **Total Revenue** | 7,30,000 | 8,80,000 | 1,50,000 | 20.55% |
|  |  |  |  |  |
| **Expenses:** |  |  |  |  |