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Name.....

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Reg. No.....

FIRST SEMESTER M.Com. DEGREE EXAMINATION, FEBRUARY 2013

(CUCSS)

MC 1C 3—ACCOUNTING FOR MANAGERIAL DECISIONS

(2010 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries 1 weightage.

1. Define EVA.
2. What is Life Cycle Costing ?
3. What is budget manual ?
4. Explain contribution margin.
5. Write about buy or lease decision.
6. Explain profitability Index.

(6 × 1 = 6 weightage)

Part B

Answer any six of the following.

Each question carries 3 weightage.

7. Explain functional budgets.
8. What is Capital Investment appraisal ? What are the time adjusted methods ?
9. Explain the concept of activity based costing.
10. What are the managerial applications of marginal costing ?
11. A company is selling 4 types of products P, Q, R and S. The sales mix in value comprises $33\frac{1}{3}\%$, $41\frac{2}{3}\%$, $16\frac{2}{3}\%$, and $8\frac{1}{3}\%$ of products P, Q, R and S respectively. The total budgeted sales (100%) are Rs. 60,000 per month. Operating costs are :
Variable costs : Product 'P' 60% of selling price
Variable costs : Product 'Q' 68% of selling price
Variable costs : Product 'R' 80% of selling price
Variable costs : Product 'S' 40% of selling price
Fixed costs Rs. 14, 700 per month.

Calculate the break even point for the products on an overall basis.

Turn over

12. P Ltd. has an investment proposal with details as given below. The cash inflows are after depreciation at 10% on original cost but before tax at 40%. Calculate the pay back period and advise management regarding the acceptability of the project, if standard pay back period prescribed by the management is 4 years. Cash inflows : 1st year Rs. 35,000 ; 2nd year Rs. 40,000 ; 3rd year Rs. 25,000 ; 4th year Rs. 20,000 ; 5th year 18,000. Project cost Rs. 1,00,000.
13. Prepare a cash budget for the three months ending 30th June 2011 from the information given below :

Month	Sales	Materials	wages
February ...	14,000	9,600	3,000
March ...	15,000	9,000	3,000
April ...	16,000	9,200	3,200
May ...	17,000	10,000	3,600
June ...	18,000	10,400	4,000

Credit terms are : 10% sales are on cash. 50% of credit sales are collected next month and balance in the following month. Creditors : materials 2 months, wages ½ month.

Cash and bank balance on 1-04-2011 is expected to be Rs. 6,000

Advance to be received for sale of vehicle Rs. 9,000 in June.

14. A project is estimated to cost Rs. 5,00,000 with a salvage value of Rs. 20,000 after its economic life of 5 years. The annual earnings after depreciation and tax are expected to be uniform at Rs. 40,000. Calculate Average Rate of Return.

(6 × 3 = 18 weight)

Part C

Answer any two of the following.

Each question carries 6 weightage.

15. Performance measurement is inevitable for managerial decision-making. Explain.
16. A company budgets a production of 5,00,000 units at variable cost of Rs. 20 each. The fixed costs are Rs. 20,00,000. The selling price is fixed to yield 25 % on cost. You are required to calculate
- 1 P/V. ratio
 - 2 Break even point.

If the selling price is reduced by 20%, find (a) the effect of price reduction on the break even point and (b) P/V. ratio.

17. Find out IRR from the details given below :

Cost of the project Rs. 35,000

Expected annual inflow Rs. 10,000 each.

Life of the project —5 years

P.V. factor at 10%	...	0.909	0.826	0.751	0.683	0.621
P.V. factor at 15%	...	0.870	0.756	0.658	0.572	0.497
P.V. factor at 20%	...	0.833	0.694	0.579	0.482	0.402

(2 × 6 = 12 weightage)