D 73019 (Pages : 3) Name..................................

03

Reg. No..................................

FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2014

(CUCSS)

MCIC 03—ACCOUNTING FOR MANAGERIAL DECISIONS

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. Briefly explain ROI.
2. What is Back flush costing ?
3. Explain budget period.
4. What is terminal value ?
5. Explain operate or shut down decision.
6. What is meant by absorption costing ?

(6 × 1 = 6 weightage)

Part B

Answer any **six** *of the following.*
Each question carries 3 *weightage.*

7. Explain Activity Based costing.
8. What is Internal Rate of Return ? Compare it with Net Present value.
9. Write on account of scope and functions of management accounting.
10. Explain measurement of Financial performance. What are the tools used ?
11. A single product company furnishes the following data :—

		Year 1	Year 2
Sales	...	Rs. 24,00,000	?
P/V ratio	...	$33\frac{1}{3}$ %	30%
Margin of safety	...	25%	40%

While there was no change in the volume of sales in year 2, the selling price was reduced. Calculate the sales, fixed costs and profit for year 2.

Turn over

12. Your are given the following information about in investment proposal :

Initial out lay—Rs. 75,000

Annual cash inflow (before depreciation but after tax)—Rs. 15,000

Expected life—7 years

Calculate :

1 Pay back period ;

2 Post pay back period ;

3 Post pay back profit ;

4 Post pay back profitability index.

13. From the information given below prepare a cash budget for the three months ending 30th 2011 :

Month		*Sales*	*Materials*	*Over heads*
February	...	14,000	9,600	1,700
March	...	15,000	9,000	1,900
April	...	16,000	9,200	2,000
May	...	17,000	10,000	2,200
June	...	18,000	10,400	2,300

Credit terms are : 25% sales are on cash.

Debtors 1 month

Creditors : materials 2 months, overheads $\frac{1}{4}$ month.

Dividends from investments amounting to Rs. 1000 are expected to be received in May. Cas bank balance on 1/4/2011 is Rs. 5000.

14. Estimated cost of a project is Rs. 5,00,000. The returns after depreciation and tax during t of the asset are estimated to be Rs. 1,50,000, Rs. 1,25,000, Rs. 1,00,000, Rs. 75,000 and Rs. 5

Calculate the average rate of return.

(6 × 3 = 18 weig

Part C

Answer any **two** *of the following*
Each question carries 6 weightage.

15. What is meant by financial performance measurement ? Explain the methods available.

16. The following set of information is presented to you by your client AB Ltd., producing two products X and Y :—

		X	Y
Direct material per unit (Rs.)	...	20	18
Direct wages per unit (Rs.)	...	6	4
Sales per unit (Rs.)	...	40	30
Proposed sales mixes			
(i) Units	...	100	200
(ii) (")	...	150	150
(iii) (")	...	200	100

Fixed expenses during the period are expected to be Rs. 1,600.

Variable expenses are allocated to products at the rate of 100% of direct wages.

Calculate :

(i) Unit marginal cost and unit contribution ;

(ii) The total contributions and resultant profit from each of the above sales mixes.

17. You are given the following information regarding two proposals X and Y :—

		Project X	*Project Y*
		Rs.	*Rs.*
Estimated cost	...	25,000	25,000
Expected cash in a flows (before depreciation and after tax)			
1st year end	...	15,000	3,000
2nd year end	...	10,000	7,000
3rd year end	...	5,000	20,000

Examine which project is preferable under NPV criterion.

Rate of discount is 8%

P.V factor at 8%, 0.926, 0.857 and 0.794.

(2 × 6 = 12 weightage)