

**FIRST SEMESTER M.COM. DEGREE EXTERNAL EXAMINATION FEB. 2016  
(2015 Admission)**

**CC15P MC1 C03: ACCOUNTING FOR MANAGERIAL DECISIONS**

**Time 3 Hours**

**MAXIMUM 36 WEIGHTS**

**PART A**

Answer **all** the questions. Each question carries **1 weight**

1. Define Responsibility Accounting.
2. Explain briefly ROI.
3. What is sensitivity Technique?
4. Define Capital Rationing.
5. What is Zero Based Budgeting?
6. Explain Profitability Index.

(6\*1=6 weights)

**PART B**

Answer any **six** questions. Each question carries **3 weights**

7. What is Life Cycle Costing?
8. Explain Activity Based Costing?
9. What are the functions of Management Accounting?
10. Write a note on Capital Asset Pricing Model. What are its merits and demerits?
11. A project cost Rs 25,000/- and has a scrap value of Rs 5,000/- after 5 years. The net profit before interest and tax for five years are expected to be Rs.5, 000; Rs. 6,000 Rs.7, 000; Rs 8,000 and Rs. 10, 000. You are required to calculate accounting rate of return, assuming rate of tax 50% and depreciation on straight line method.

12. The cost sheet of a product is given as under:

	Rs.		Rs.
Direct Materials	5.00	Administrative Expenses	0.75
Direct Wages	3.00	Selling & Distribution Expenses:	
Factory Overheads:		Fixed	0.25
Fixed	0.50	Variable	0.50
Variable	0.50		

The selling price per unit is Rs.12

The above figures are for an output of 50,000 units, the capacity for the firm is 65,000 units.

A foreign customer is desirous of buying 15,000 units at a price of Rs.10 per units. Advise the manufacturer whether the order should be accepted. What will be your advice if the order were from a local merchant?

13. Following information is available of a concern; calculate E.V.A.

Debt Capital 12%	Rs.2, 000 Crores	Beta factor	1.05
Equity Capital	Rs. 500 Crores	Market rate of return	19%
Reserves & Surplus	Rs.7, 500 Crores	Equity (Market) risk premium	10%
Capital Employed	Rs 10,000 Crores	Operating Profit after tax	Rs.2, 100 Crores
Risk-Free rate	9%	Tax rate	30%

14. X makes two products, A and B and has identified that a bottleneck occurs during assembly.

Details of the products are as follows:

	Product A	Product B
	Rs.	Rs.
Sales price	25	16
Materials Cost	5	3
Direct Labour Cost	10	8

	Minutes	Minutes
Assembly time per unit	20	15

How should the two products be prioritized?

(6\*3=18 weights)

### PART C

Answer any **two** questions. Each question carries **6 weights**

15. What is meant by Responsibility centre? Explain their utility to management.
16. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y, the details of which are:

	Project X	Project Y
Investment	70,000	70,000
Cash flow year 1	10,000	50,000
Cash flow year 2	20,000	40,000
Cash flow year 3	30,000	20,000
Cash flow year 4	45,000	10,000
Cash flow year 5	60,000	10,000
	.....	.....
	1, 65,000	1, 30,000

Calculate the net present value at 10% and profitability index.

17. The capital structure of a company is as follows:

	<i>Book</i>	<i>Market</i>	<i>Specific</i>
	<i>Value</i>	<i>Value</i>	<i>Cost</i>
	Rs.	Rs.	(%)
Preference Capital	5, 00,000	5, 50,000	12
Debentures	20, 00,000	19, 00,000	07

Equity Capital	80,00,000	1,20,00,000	15
Retained Earnings	20,00,000	_____	13
	_____	_____	
	1,25,00,000	1,44,50,000	

Calculate the weighted average cost of capital using (1) book value as weights and (2) Market Value as weights. When weighted average cost of capital would be the same using either of the weights.

(2\*6=12 weights)

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