17P148 (Pages: 4) Name: ……………………

Reg. No……………………

FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2017

(Regular/Supplementary/Improvement)

(CUCSS-PG)

CC15P MC1 C03 – ACCOUNTING FOR MANAGERIAL DECISIONS

(2015 Admission Onwards)

Time: Three hours Maximum: 36 Weightage

PART A

Answer *all* Questions. Each question carries 1 weightage

1. Define management accounting.
2. What is quality costing?
3. Define Responsibility accounting.
4. What do you mean by backflush costing?
5. Define balanced score cards.
6. What is meant by zero based budgeting?

(6x1= 6 weightage)

PART B

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

7. Explain the concept of continuous improvement in Kaizan costing.
8. What is product life cycle costing? Describe its characteristics and benefits.
9. Differentiate cost reduction and cost control.
10. C Ltd.'s current operating income is Rs. 400000. The firm has 10% debt of Rs.1000000 outstanding. Its cost of capital is estimated to be 15%. Determine the current value of the firm, using traditional approach.
11. DKB Factory Ltd. has a key resource (bottleneck) of facility AX which is available for 58000 minutes per week.

Budgeted factory cost and data of two products P and Q are shown below.

Product	Selling price/unit	Material cost/unit	Time facility/AX
P	50.00	32.00	6 minutes
Q	50.00	26.00	12 minutes

Budgeted factory cost per week:

Direct labourRs. 48000; Indirect LabourRs. 23650; Power Rs. 3150;Depreciation Rs.40500; Space costs Rs. 14400; Engineering Rs. 6300; and Administration Rs. 9000.

Actual production during the last week is 7300 units of product P and 1050 units of Product Q. Actual factory cost was Rs. 145000.

Turn Over

You are required to calculate i) cost per factory minute, ii) Return per factory minute and iii) TA ratios for both products.

12. Two firms A& Co. and B& Co. sell the same type of product in the same market. Their budgeted Profit and Loss account for the year ends on 31st March is as follows:

	A & Co		B & Co	
	Rs.	Rs.	Rs.	Rs.
Sales		500000		600000
Less Variable Cost	400000		400000	
Less Fixed Cost	30000		70000	
		430000		470000
Net Profit		70000		130000

Required:

1. Calculate at which sales both the firms will earn an equal profit.
2. State which firm is likely to earn greater profit in conditions of ;
   a) Heavy demand for the product b) Low demand for the product.

13. Division A and B are considering new investment projects. From the information given below, you are required to suggest whether new investment in projects should be undertaken or not.

	Division A	Division B
	Rs.	Rs.
New investment outlay	50,00,000	50,00,000
Net return on new investment	8,00,000	7,00,000
Target ROI	15%	15%

14. A company has a capacity of producing 100000 units of a product in a month. The sales department reports that the following schedule of sales price is possible.

Volume of Production	60%	70%	80%	90%	100%
Selling price per unit	0.90	0.90	0.75	0.67	0.61

The variable cost of manufacture between these levels is Rs. 0.15 per unit and fixed cost Rs. 40000. At what volume of production will the profit be maximum.

(6x3=18 weightage)

Part C

Answer any *two* questions. Each carries six weightage.

15. Four identical products are produced by a company. Details of the four products are given below.

Product	A	B	C	D
Output in units	140	150	90	120
Cost per unit				
Direct Material	30	40	20	50
Direct Labour	20	24	15	20
Machine hour per unit	5	4	3	4

The four products are produced in production runs of 20 units and sold in batches of 15 units. The production overhead is currently absorbed by machine hour rate and the total of the production overhead for the period has been analysed as follows.

Machine department costs	Rs. 23750
Set up costs	6500
Stores receiving	3200
Inspection/quality control	2750
Material handling and dispatch	4800
Total	41000

Cost drivers to be used are listed below.

Cost	Cost driver
Set-up cost	Number of production units
Stores receiving	Requisitions raised
Inspection/quality control	Number of production runs
Material handling and dispatch	Orders executed

The number of requisitions raised on the stores was 20 for each product and the number of orders executed was 40, each order being for a batch of 10 of a product.

You are required to

a. Calculate the total cost for each product, if all overheads are absorbed on a machine hour basis;

b. Calculate the total cost for each product using ABC

c. Calculate unit cost under (a) and (b) and show the difference and comment briefly.

16. JK Ltd. Has the following book value capital structure as on 31st March 2015.

Equity share capital (200000 shares)	Rs. 4000000
11.5% Preference shares	Rs. 1000000
10% Debentures	Rs. 3000000
Total	Rs. 8000000

Turn Over

The equity shares of the company sells for Rs. 20. It is expected that the company will pay next year a dividend of Rs. 2 per equity share, which is expected to grow at 5% p.a. forever. Assume a 35% corporate tax rate, required to i) compute weighted average cost of capital of the company based on the existing capital structure

ii) Compute the new WACC, if the company raises an additional Rs. 2000000 debt by issuing 12% debentures. This would result in increasing the expected equity dividend to Rs. 2.40 and leave the growth rate unchanged, but the price of equity share will fall to Rs. 16 per share.

17. What are the different methods of measurement of divisional performance?

(2x6= 12 weightage)

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