

FIRST SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2016

(Regular/Supplementary/Improvement)

(CUCSS-PG)

CC15P MC1 C03 – ACCOUNTING FOR MANAGERIAL DECISIONS

(Commerce)

(2015 Admission Onwards)

Time: Three Hours

Maximum: 36 Weightage

PART AAnswer **all** the questions. Each question carries **1 weight**

1. Define Angle of Incidence.
2. Explain ROCE.
3. What is Activity Based Costing?
4. Define EVA.
5. What is Bench Marking?
6. State any four objectives of Management Accounting. (6x1=6 weights)

PART BAnswer any **six** questions. Each question carries **3 weights**

7. What is IRR? Compare it with NPV
8. Explain the techniques of Marginal Costing. What are its implications?
9. Discuss any four methods of Transfer Pricing.
10. Explain Cost of Capital. State the importance of Cost of Capital.
11. The sales turnover and profit during two years were as follows.

Year	sales	profit
	Rs.	Rs.
2013	1, 40,000	15,000
2014	1, 60,000	20,000

Calculate a) P/V ratio b) sales required to earn a profit of Rs.40000.c) Profit when sales are 1, 20,000

12. You are given the following information about an investment proposal

Initial outlay	Rs.75, 000
Annual cash flow (before depreciation and after tax)	Rs. 15,000
Expected life	7 years

Calculate 1) Pay –Back Period 2) Post Pay –Back Period 3) Post Pay –Back profit.

13. Z Ltd. s operating income (before interest and tax)is Rs.9,00, .The firm s ost of De t is 10%. and currently firm employs Rs 30, 00,000 of Debt. The overall cost of capital of firm is 12%. Calculate Cost of Equity?
14. A business manufactures a single product that it sells for Rs.10 per unit. The material cost for each unit of product sold is Rs.3 Total operating expenses are Rs.50, 000 each month. Labour hours are limited to 20,000 hours each month. Each unit of product takes 2 hours to assemble. Calculate the throughput accounting ratio and interpret.

(6x3=18 weights)

PART C

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

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

16. The capital structure of a company as on 31st March 2013 is as follows:

Equity capital: 6, 00,000 equity shares of	Rs. 6 crores
Rs.100each. Reserves and Surplus	Rs.1.20 crores
12% Debentures of Rs100 each	Rs. 1.80 crores

For the year ended 31st March 2013 the company has paid equity dividend @24%.Dividend is likely to grow by 5% every year. The market price of equity share is Rs.600 per share. Income-Tax rate applicable to the company is 30%.

Required:

1) Compute the current weighted average cost of capital.

ii) The company has a plan to raise a further Rs.3 cores by way of long-term loan at 18%interest. If the loan is raise the market price of the equity share is expected to fall to Rs 500 per share. What will be the new weighted average cost of capital?

17. Division Z is a profit centre, which produce four products-A,B,C and D .Each product is sold in the External market also. Data for the period is as follows:

	A	B	C	D
Market Price per unit	Rs.150	Rs.146	Rs.140	Rs.130
Variable Cost of Production per unit	Rs.130	Rs.100	Rs.90	Rs.85
Labour hours required per unit	3	4	2	3

Product D can be transferred to division Y, but the maximum quantity that might be required for Transfer is 2,500 units of D.

The maximum sales in the external market are:

A 2,800 units: B 2,500units: C 2,300 units: D 1,600 units.

Division Y can purchase the same product at a slightly cheaper price of Rs.125 per unit instead of receiving transfers of product D for division Z.

What should be transfer price for each unit for 2,500 units of D, if the total labour hours available In division Z is 20,000 hours?

(2x6=12 weights)
