

19P145A

(Pages: 3)

Name:.....

Reg.No.....

**FIRST SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2019**

(Supplementary/Improvement)

(CUCSS-PG)

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

(Commerce)

(2015 to 2018 Admissions)

Time: Three Hours

Maximum: 36 Weightage

**PART A**

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

1. What do you mean by semi-variable cost?
2. State the differences between conventional costing and activity based costing.
3. What is decision tree analysis in capital budgeting?
4. State the importance of contribution.
5. What is weighted average cost of capital?
6. Define social cost benefit analysis.

**(6 x 1 = 6 Weightage)**

**PART B**

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

7. Explain how management accounting is helpful in managerial decision making?
8. Define ROI. What are its advantages and limitations?
9. What is meant by value engineering? What are the steps involved in value engineering process?
10. What are the factors influencing cost of capital?
11. X Ltd. is producing articles mostly by manual labour and is considering replacing it by a machine. There are two alternative models available: M and N. Prepare a statement of profitability showing the pay-back period of each machine from the following information:

Particulars	Machine M	Machine N
Estimated life	4 yrs	5 yrs
Cost (₹)	90,000	1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

(1)

**Turn Over**

12. On the basis of the following information calculate cost per unit of the two products separately under:

(a) Traditional costing based on volume (b) ABC System

	Machine hours per unit	Direct labour hours per unit	Actual output (units)	No. of purchase orders	No. of set up
Product A	2	4	2,000	100	30
Product B	2	4	5,000	150	70

The costs of the activities are as follows:

Volume related	-	70,000
Purchase related	-	1,40,000
Set up related	-	<u>2,10,000</u>
Total	-	<u>4,20,000</u>

13. The cash flows with their probabilities are given below:

Year	Project A		Project B	
	Cash Inflows	Probability	Cash Inflows	Probability
1	25,000	0.1	20,000	0.1
2	35,500	0.2	25,000	0.1
3	65,000	0.1	50,000	0.2
4	38,000	0.4	30,000	0.4
5	25,000	0.2	20,000	0.2

Calculate standard deviation and co-efficient of variation for Project A and B to show the extent of risk. Which project would you recommend?

14. ABC Ltd has three divisions. It is considering making additional investment in one of these divisions

	Divisions		
	A	B	C
Additional investments	20,00,000	20,00,000	20,00,000
Net profit on additional investment	2,80,000	2,60,000	3,40,000
Current ROI	15%	16%	14%

The cost of capital is 12%. In which division should the investment be made?

**(6 x 3 = 18 Weightage)**

(2)

**19P145A****PART C**

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

15. What is transfer pricing? Discuss the various methods of transfer pricing.

16. The capital structure of J Ltd is as shown below:

Equity shares of 10 each	-	1,00,00,000
9% preference shares of 100 each	-	30,00,000
14% debentures of 100 each	-	70,00,000

The market price of these securities is:

Equity shares	-	35 per share
Preference shares	-	120 per share
Debentures	-	10 per debentures.

Other information is:

Equity shares have a flotation cost of 5 per share. The next year's expected dividend is ` 3 with annual growth of 5%. The Company pays all earnings in the form of dividends.

Preference shares are redeemable at a premium of 10%, have 2% flotation cost and 10 year maturity.

Debentures are redeemable at par, have 4% flotation and 10 year maturity.

Corporate tax rate is 30%.

Calculate weighted average cost of capital using

(a) book value weights (b) market value weights.

17. The sales turnover and profit during two years were as follows:

Year	Sales	Profit
2015	1,50,000	20,000
2016	1,70,000	25,000

Calculate:

(a) P/V ratio

(b) Break even point

(c) The sales required to earn a profit of ` 40,000

(d) Profit when sales are ` 2,50,000

(e) Margin of safety at a profit of ` 50,000

(f) Variable costs of two periods.

**(2 x 6 = 12 Weightage)**

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(3)