

**D 51576**

(Pages : 3)

Name.....

Reg. No.....

**FIRST SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2018**

(CUCSS—PG)

M.Com.

**MC 1C 03—ACCOUNTING FOR MANAGERIAL DECISIONS**

(2015 Syllabus Year)

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each question carries 1 weightage.*

1. What is Management Accounting ?
2. What is ABC System ?
3. What is Zero Based Budgeting ?
4. Write notes on Cost Unit ?
5. What is meant by Key Factor ?
6. What is meant by Cost of Capital ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any six questions.*

*Each question carries 3 weightage.*

7. Briefly explain the various methods of costing.
8. Describe the various Performance measurements.
9. Explain managerial application of CVP Analysis.
10. Explain the methods used for calculating cost of capital.
11. Describe the cost control and cost reduction techniques ?

**Turn over**

12. Lakshmi Industries Ltd. has the following capital structure and after tax costs for the different sources of funds used :

Source of funds	Amount (Rs.)	Proportion (%)	After tax cost (%)
Debt. ...	90,00,000	25	5
Preference Shares ...	72,00,000	20	10
Equity Shares ...	1,08,00,000	30	12
Retained Earnings ...	90,00,000	25	11
<i>Total</i> ...	3,60,00,000	100	

You are required to compute the weighted average cost of capital.

13. A project of Global Industries need Fixed Expenses of Rs. 24,00,000 and the Selling price per unit is Rs. 150. Variable cost /unit is Rs. 90. Calculate Break-even point ?
14. A company has 2,00,000 shares of Rs.100 at par of preference shares outstanding at 9.5 % dividend rate , The current market price of preference share is Rs. 80. What is its cost ?

(6 × 3 = 18 weightage)

### Part C

Answer any two questions.

Each question carries 6 weightage.

15. Majestic India Ltd. is producing articles mostly by manual labour and is considering replacing it by a new machine. There are two alternative models M and N of the new machine. Prepare a statement of profitability showing the pay-back period from the following information:

	Machine M	Machine N
Estimated life of machine ...	4 years	5 years
Cost of machine ...	Rs. 9,000	Rs. 18,000
Estimated savings in scrap ...	500	800
Estimated savings in direct wages ...	6,000	8,000
Additional cost of maintenance ...	800	1,000
Additional cost of supervision ...	1,200	1,800

Ignore taxation

16. Explain different types of budgets and applications of budget as Cost control technique.
17. Ambitious Enterprises manufacturing table lamps is working at 40 % capacity producing 10,000 lamps per year. The cost elements for each table lamps are given as under:

Material	—	Rs. 20
Labour	—	Rs. 6
Overheads	—	Rs. 10 (40 % Variable)

Each table lamp sells for Rs. 40. The selling price falls by 3 % if production is at 50 % capacity, and by 5 % if worked at 90 % capacity. The fall in selling price is accompanied by similar fall in material prices,

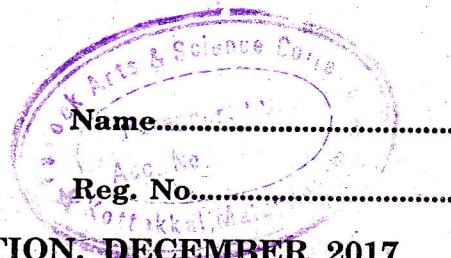
You are required to find out

- (a) Profit at 50 % and 90 % capacities.
- (b) Break-even points at both levels.

(2 × 6 = 12 weightage)

C 32471

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FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2017  
(CUCSS)

MC 1C 03—ACCOUNTING FOR MANAGERIAL DECISIONS

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.  
Each question carries 1 weightage.

1. What is Cost of Capital ?
2. What is Life Cycle Costing ?
3. What is Zero Based Budgeting ?
4. Write notes on Cost Unit.
5. What is meant by Limiting Factor ?
6. What is meant by Cost Control ?

(6 × 1 = 6 weightage)

Part B

Answer any six questions.  
Each question carries 3 weightage.

7. Briefly explain the various methods of Capital Rationing.
8. Describe the Economic Value Added Concept.
9. Explain the need for Responsibility Accounting.
10. Explain the methods used for calculating cost of capital ?
11. Describe the role of Sensitivity Analysis in decision-making.
12. Maharaja Industries Ltd. has the following capital structure and after tax costs for the different sources of funds used :—

Source of funds	Amount (Rs.)	Proportion (%)	After tax cost (%)
Debt	45,00,000	25	5
Preference Shares	36,00,000	20	10
Equity Shares	54,00,000	30	12
Retained Earnings	45,00,000	25	11
Total	<u>1,80,00,000</u>	<u>100</u>	

You are required to compute the weighted average cost of capital.

Turn over

13. A project of Index Industries need Fixed Expenses of Rs. 38,00,000 and the Selling price per unit is Rs. 150. Variable cost / unit is Rs 90. Calculate Break-even point and P/V ratio ?
14. A company has 4,00,000 shares of Rs. 50 at par of preference shares outstanding at 9.5 % dividend rate . The current market price of preference share is Rs. 60. What is its cost ?

(6 × 3 = 18 weightage)

## Part C

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

15. Gama Industries India Ltd. is producing articles mostly by manual labour and is considering replacing it by a new machine. There are two alternative models X and Y of the new machine. Prepare a statement of profitability showing the pay-back period from the following information :

		<i>Machine X</i>	<i>Machine Y</i>
Estimated life of machine	...	4 years	5 years
		Rs.	Rs.
Cost of machine	...	18,000	36,000
Estimated savings in scrap	...	1,000	1,600
Estimated savings in direct wages	...	6,000	8,000
Additional cost of maintenance	...	800	1,000
Additional cost of supervision	...	1,200	1,800

Ignore taxation

16. Explain Marginal costing and different techniques and applications of marginal costing.
17. Goodwill Enterprises manufacturing refrigerator is working at 40 % capacity producing 50,000 refrigerators per year. The cost elements for each refrigerator are given as under :

Material	— Rs. 2,000
Labor	— Rs. 600
Overheads	— Rs. 100 (40 % Variable)

Each refrigerator sells for Rs. 4,000. The selling price falls by 3 % if production is at 50 % capacity, and by 5 % if worked at 90% capacity. The fall in selling price is accompanied by similar fall in material prices,

You are required to find out

- (a) Profit at 50 % and 90 % capacities.
- (b) Break-even points at both levels.

(2 × 6 = 12 weightage)

**D 13320**

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Name.....

Reg. No.....

**FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2016**

(CUCSS)

**MC 1C 03—ACCOUNTING FOR MANAGERIAL DECISIONS**

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each question carries 1 weightage.*

1. Define 'Marginal cost'.
2. Explain briefly the concept of EVA.
3. What do you mean by Zero-based budget ?
4. What is meant by Capital rationing ?
5. What are the responsibility centres of a manufacturing unit ?
6. What do you mean by Kaizen costing ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any six of the following.*

*Each question carries 3 weightage.*

7. Discuss the role and importance of management accounting in the efficient working of an industrial concern.
8. "IRR is a superior technique than NPV methodology". Do you agree with this statement ? Justify your answer.
9. 'Marginal costing technique can be a valuable aid to management'. Elucidate it.
10. Are you in agreement with the view that budgeting should better be called profit planning and control ?

**Turn over**

11. Discuss the important areas of cost reduction in a manufacturing concern :

The following data are available from the records of a company :

Sales Rs. 60,000.

Variable cost Rs. 30,000.

Fixed Cost Rs. 15,000.

*Calculate :*

- P/V Ratio, Break-even point and Margin of safety at this level.
- Calculate the effect of 10 % increase in sale price.
- Calculate the effect of 10 % decrease in sale price.

12. A company is organized in to two divisions, namely Division P and Division Q. The financial Positions of the two divisions for the year ended 31<sup>st</sup> March is as follows :

<i>Particulars</i>	<i>Division P</i>	<i>Division Q</i>
Sales (Rs. in lakh)	8,000	6,000
Contribution margin (%)	40	50
Divisional fixed cost (Rs. in lakh)	1,500	1,850
Corporate office resources availed (Rs. in lakh)	600	500
Allocated corporate office cost (Rs. in lakh)	1,000	1,000

Present a statement showing divisional manager's performance and divisional performance.

13. A company has to make a choice between two projects namely A and B. The capital outlay of two projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 16 %. The annual incomes are as under :

Year	Project A	Project B	Discounting factor at 16 %
1	—	60,000	0.862
2	30,000	84,000	0.743
3	1,32,000	96,000	0.641
4	84,000	1,02,000	0.552
5	84,000	90,000	0.476

- You are required to calculate for each project : (a) Discounted payback period ; (b) NPV and (c) Profitability Index.
14. Discuss the Cost control and Cost reduction techniques in a manufacturing concern.  
(6 × 3 = 18 weightage)

### Part C

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

15. Explain why risk and uncertainty should be considered in the investment appraisal process.
16. A company proposes to manufacture a new design of ball pen. Cost particulars for a annual estimated production of 60,000 units are as follow :

Elements of cost	Total cost (Rs.)	Variability (%)
Direct material	6,40,000	100
Direct labour	2,40,000	75
Factory O.H.	1,80,000	65
Selling O.H.	2,00,000	40

**Turn over**

In addition to the above costs, company pays a commission of 5 % on sales :

- (a) Determine the selling price to earn a profit of 25 % on sales.
- (b) In order to combat competition, the company proposes to reduce the selling price by Rs. 3 per pen. What will be the BEP ?

17. A Manufacturing Company has an installed capacity of 1,50,000 units per annum. Its cost structure is given below :

<i>Variable cost per unit :</i>	Rs.
Materials	: 10
Labour	: 10 (Subject to a minimum of Rs. 1,00,000 per month)
Overheads	: 4
Fixed overheads per annum	: 1,92,300

Semi-variable overheads per annum at 75 % capacity (it will increase by Rs. 4,000 per annum for increase of every 5 % of the capacity utilization or any part thereof) Rs. 60,000.

The capacity utilization for the next year is budgeted at 75 % for first three months, 80 % for the next six months and 90 % for the remaining three months.

*Required :* If the company is planning to have a profit of 20 % on the selling price, calculate the selling price per unit for the next year.

(2 × 6 = 12 weightage)

**D 93089**

(Pages : 3)

Name.....

Reg. No.....

**FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2015**

(CUCSS)

MC 1C 03—ACCOUNTING FOR MANAGERIAL DECISIONS

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each question carries 1 weightage.*

1. What is Flexible Budgeting ?
2. Explain Transfer pricing.
3. What is Total Quality Management ?
4. Explain Cost Centre.
5. What is Activity based costing ?
6. What is opportunity cost ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any six of the following.*

*Each question carries 3 weightage.*

7. Balanced score card started as a performance measurement system, but has ended up as a full pledged MCS". Explain with suitable examples.
8. How is the weighted average cost of capital calculated ? What weights should be used in its calculation ?
9. "A higher rate of return on capital employed implies that the firm is managed efficiently.' Is this true in every situation ? What or why not ?
10. Is the term 'Appraisal' different from 'Evaluation' ?
11. A company has 1,00,000 shares of Rs. 100 at par of preference shares outstanding at 9.75 per cent dividend rate. The current market price of the preference share is Rs 80. What is its cost ?
12. Sales 4000 units at Rs. 10/unit, BEP 1500 units ; Fixed Cost Rs 3000, What is the amount of variable cost and Profit ?

**Turn over**

13. A Company issues 10,00,000 12% debentures of 100 each. The debentures are redeemable after the expiry of fixed period of 7 years. The Company is in 35% tax bracket.

*Required* : Calculate the cost of debt after tax, if debentures are issued at :

- (a) Par.
  - (b) 10% Discount.
  - (c) 10% Premium.
14. The data relating to two companies are as given below :

	<i>Company A</i>	<i>Company B</i>
	Rs.	Rs.
Equity Capital ...	6,00,000	3,50,000
12% Debentures ...	4,00,000	6,50,000
Output (units) per annum ...	60,000	15,000
Selling price/unit ...	30	250
Fixed Costs per annum ...	7,00,000	14,00,000
Variable Cost per unit ...	10	75

You are required to calculate the Operating leverage, Financial leverage and Combined leverage of these two companies.

(6 × 3 = 18 weightage)

### Section C

*Answer any two of the following.*

*Each question carries 6 weightage.*

15. What do you meant by budgetary control system ? Explain the process of budgetary control in an organization
16. A company has an old machine having book value of zero, which can be sold for Rs 50,000. The company is thinking to choose one from following two alternatives :
- (i) To incur additional cost of Rs 10,00,000 to upgrade the old existing machine.
  - (ii) To replace old machine with a new machine costing Rs. 20,00,000 plus installation cost Rs. 50,000.

Both above proposals envisage its useful life to be five years with salvage value to be nil. The expected after-tax profits for the above three alternatives are as under :

Year	Old existing Machine Rs.	Upgrade Machine Rs.	New Machine Rs.
1.	5,00,000	5,50,000	6,00,000
2.	5,40,000	5,90,000	6,40,000
3.	5,80,000	6,10,000	6,90,000
4.	6,20,000	6,50,000	7,40,000
5.	6,60,000	7,00,000	8,00,000

The tax rate is 40 per cent. The company follows straight line method of depreciation. Assume cost of capital to be 15 per cent.

(P.V.F. of 15%, 1Y = 0.870, 2Y = 0.756, 3Y = 0.658, 4Y = 0.572 and 5Y = 0.497). You are required to advise the company as to which alternative is to be adopted.

17. A company budgets a production of 5,00,000 units at a variable costs of Rs.20 each .The fixed costs are Rs. 20,00,000. The Selling price is fixed to yield 25% on cost. You are required to calculate :

- (a) P/V ratio.
- (b) Break even point.

If the selling price is reduced by 20 % find :

- (i) The effect of the price reduction on the BEP and P/V ratio.
- (ii) The number of units required to be sold at the reduced selling price to obtain an increase of 20% over the budgeted profit.

(2 × 6 = 12 weightage)

**D 93084**

(Pages : 3)

Name.....

Reg. No.....

**FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2015**

(CUCSS)

**MC 1C 03—ACCOUNTING FOR MANAGERIAL DECISIONS**

(2010—2014 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each question carries 1 weightage.*

1. Briefly explain Margin of safety with formula.
2. What is Negotiated Price ?
3. What is ROI ? How it is calculated ?
4. What is out-of-pocket cost ?
5. Define Transfer Pricing ?
6. What do you mean by term "Cost" and "Expenses" ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any six of the following.*

*Each question carries 3 weightage.*

7. What is zero based budgeting ? Explain its applications.
8. Name some internal and external factors that influence pricing decisions.
9. Explain different cost concepts.
10. What is capital rationing ? Explain the causes for capital rationing.
11. From the following information,

Sales—Rs. 1,00,000

Profit—Rs. 10,000

Variable cost—70 %

Find out : (i) P/V ratio ; (ii) Fixed cost ; (iii) Sales volume to earn a profit of Rs. 40,000.

12. A project cost Rs. 15,60,000 and yields annually a profit of Rs. 2,70,400 after depreciation of 12 % p.a. but before tax at 25 %. Calculate payback period.

**Turn over**

13. Division A and B are both considering an outlay on new investment projects :

		<i>Division A</i>	<i>Division B</i>
Investment outlay	...	Rs. 1,00,000	Rs. 1,00,000
Net return on the new investment	...	Rs. 16,000	Rs. 11,000
Current ROI	...	18 %	11 %

The company's cost of capital is 13 %. Should the project be accepted or rejected ?

14. A company which supplies its output on contract basis as component to an assembling firm has a contract to supply 10,000 units of its only product during 2012. The following were the budgeted expenses and revenue :

Materials	...	Rs. 15 per unit
Wages	...	Rs. 10 per unit
Works expenses (Fixed)	...	Rs. 40,000
Variable	...	Rs. 4 per unit
General expenses (all fixed)	...	Rs. 60,000
Profit is 20 % on sale price.		

Prepare the budget for 2012 showing the costs and profit.

(6 × 3 = 18 weightage)

### Part C

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

15. Explain the concepts and characteristics of Balanced score card with an example.
16. A limited company manufacturers three different products and the following information has been collected from the books of accounts :

		<i>Products</i>		
		<i>S</i>	<i>T</i>	<i>Y</i>
Sales mix	...	35 %	35 %	30 %
		Rs.	Rs.	Rs.
Selling price	...	30	40	20
Variable cost	...	15	20	12
			Rs.	
Total fixed cost	...		1,80,000	
Total sales	...		6,00,000	

The company has currently under discussion a proposal to discontinue the manufacture of product Y and replace it with product M, when the following results are anticipated :

	Products		
	S	T	Y
Sales mix ...	50 %	25 %	25 %
	Rs.	Rs.	Rs.
Selling price ...	30	40	20
Variable cost ...	15	20	15
		Rs.	
Total fixed cost ...		1,80,000	
Total sales ...		6,40,000	

Will you advise the company to change over to production of M ? Give reasons for your answer.

17. The expenses for the production of 5,000 units in a factory are given as follows :

	Per unit
	Rs.
Materials ...	50
Labour ...	20
Variable overheads ...	15
Fixed Overheads (Rs. 50,000) ...	10
Administrative expenses (5 % variable) ...	10
Selling expenses (20 % fixed) ...	6
Distribution Expenses (10 % fixed) ...	5
Total cost of sales per unit ...	<u>116</u>

You are required to prepare a budget for the production of 7000 units and 8000 units.

(2 × 6 = 12 marks)