



# Commerce Factory

## Kerala's Online Teacher

**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)