

FIRST SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2019

(CUCSS)

M.Com.

MC1C3—ACCOUNTING FOR MANAGERIAL DECISIONS

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

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

1. Define back flush costing.
2. Write a note on profitability index.
3. Discuss basic the assumptions of cost volume profit analysis.
4. What is ZBB ?
5. Define value engineering.
6. Explain throughput costing.

(6 × 1 = 6 weightage)

Part B*Answer any six of the following.**Each question carries 3 weightage.*

7. Differentiate between marginal costing and absorption costing.
8. Explain different steps to develop ABC system.
9. "Target costing helps the organisation to balance all the aspects that are beyond the control of an organisation." Discuss.
10. Elucidate the concept of EVA.
11. A company has fixed cost of Rs. 1,00,000, sales Rs. 3,50,000 and profit of 70,000. Calculate :
 - (i) Sales volume if in the next period, the company suffered a loss of Rs. 40,000
 - (ii) What is the margin of safety for a profit of 90,000 ?

Turn over

12. A company produces single product which sells for Rs. 20 per unit. Variable cost is Rs. 15 per unit and fixed overhead for the year is Rs. 6,30,000. Calculate break-even point and sales value needed to earn a profit of 10% on sales.
13. Find out the value of a rupee when it is received continuously for a period of 18 years at 10% discounting rate.
14. Find out weighted average cost of capital of MNC co., ltd when its structure is made up of 1/3 equity and 1/3 debt at 10% and 1/3 retained earnings. The firm's growth rate is 10% p.a with expected dividend of 12%. Equity and retained earning constitute 2/3rd of the structures worth rupees 10 million. Firms tax rate is 30%.

(6 × 3 = 18 weightage)

Part C

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

15. What is "Activity-Based Costing" and "Activity-based Management ?" How are the costs of the organization's significant activities accumulated and then assigned to goods or services where activity-based costing is used ?
16. From the following particulars, you are required to calculate :
- P/V Ratio
 - BEP for sales ;
 - Margin of Safety ;
 - Profit when sales are Rs. 1,00,000
 - Sales required to earn a profit of Rs.20,000

Year	Sale	Profit
I	Rs. 1,20,000	9,000
II	Rs. 1,40,000	13,000

You may make plausible assumptions. Also evaluate the effect on II year's profit of :

- 20% decrease in sales quantity.
- 20% decrease in sales quantity accompanied by 10% increase in sales price and reduction of Rs. 1,750 in fixed costs

17. There are two exclusive capital expenditure proposals before a professionally managed company. The cost of capital for the proposal is 15%. The finance director considers that the NPV method should be relevant, whereas the managing director feels that IRR method is most appropriate for choosing from the alternatives. Following are the details of the two proposals :

Year	Cash flows (Rs. Lakhs)	
	Proposal A	Proposal B
0	- 200	- 200
1	35	216
2	80	10
3	90	10
4	70	4
5	20	4

You are required to calculate :

- NPV and IRR of each project.
- Recommend with reasons which project you would suggest.

(2 × 6 = 12 weightage)