D 53079 **(Pages : 3)** **Name**

Reg. No.................

FIRST SEMESTER M.Com. DEGREE EXAMINATION, JANUARY 2014

MC IC 03—Paper 1.3—ACCOUNTING FOR MANAGERIAL DECISIONS

Time : Three Hours Maximum : 36 Weightage

Part A

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

1. Briefly explain Multiple Score Card.
2. Define target costing.
3. What is Variable Cost ?
4. Explain sell or process further decision.
5. What is principal budget factor ?
6. Explain ROCE.

(6 x 1 = 6 weightage)

Part B

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

7. Explain the technique of marginal costing. What are its applications ?
8. What are the modern methods of capital investment appraisal ?
9. Explain budgetary control process. How budgets are classified ?
10. Give an account of the tools and techniques of financial performance analysis.

11 X Ltd. a multi-product company furnishes you the following data relating to the year 2011.

	Ist *half of the year*	II ' *half of the year*
	Rs.	Rs.
Sales	45,000	50,000
Total Cost ..	40,000	43,000

Assuming that these is no change in prices and variable costs and that the fixed expenses are incurred equally in the two half year periods calculate for the year 2011.

(a) The P/V ratio.

(b) Fixed expenses.

(c) Break-even sales.

(d) Percentage of margin of safety.

Turn over

12. Calculate :

(a) **Pay back period.**

(b) **Post pay back period.**

(c) **Post pay back earnings.**

(d) **Post pay back profitability index.**

Project Cost Rs. 5,00,000.

Cash in flows :

1st year Rs. 1,50,000,

2nd year Rs. 2,00,000,

3rd year Rs. 1,25,000,

4th year Rs. 1,00,000,

5th year Rs. 80,000,

6th year Rs. 50,000,

Salvage value Rs. 5,000.

13. From the information given below prepare a Cash budget for the three months ending 30th June 2011 :

Month	*Sales*	*Materials*	***Overheads***
February	**1400**	**960**	**170**
March	**1500**	**900**	**190**
April	**1600**	**920**	**200**
May	**1700**	**1000**	**220**
June	**1800**	**1040**	**230**

Credit terms are : 20% sales are on cash. Debtors 1 month. Creditors : materials 2 months. Overheads V2 month.

Income tax to be paid in June Rs. 300.

Cash and bank balance on 1.4.2011 is Rs. 2,000.

14. A project costs Rs. 25;000 and has a scrap value of Rs. 5,000 after 5 years. The net profit before depreciation and taxes for the five years are expected to be Rs. 5,000, Rs. 6,000, Rs. 7,000, Rs. 8,000 and Rs. 10,000. You are required to calculate accounting rate of return assuming 50% rate of tax and depreciation on straight line method.

(6 x 3 = 18 weightage)

Part C

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

15. What are the measures of performance ? Explain.

16. A and **B** are two similar plants under the same management who want then to be merged for better expansion. The details are as follows :

Plant	A	
Capacity operated	100%	70%
	Rs. (in lakhs)	Rs. (in lakhs)
Turnover	200	210
Variable cost	150	140
Fixed cost	40	60

Find out :

(a) The capacity of the merged plant at break-even.

(b) Turn over from the merged plant to give a profit of Rs. 20 lakhs.

17. A company is contemplating whether to accept or not an investment proposal, the details of which are as below :

Cost of installation	Rs. 5,00,000
Additional working capital	Rs. 1,00,000
Expected rate of return	15%

Net annual cash inflows (before depreciation and after tax) : —

1 year Rs. 1,50,000,

2 year Rs. 2,35,000,

3 year Rs. 3,00,000,

4 year Rs. 1,60,000.

Advice the management :

P.V. factor at 15% : 0.870, 0.756, 0.658, 0.572.

(2 x 6 = 12 weightage)