

D 93084

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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 x 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 .

	Division A	Division B
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 x 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 manufactures three different products and the following information has been collected from the books of accounts :**

		Products		
		Y		
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 :

		<i>Products</i>		
		<i>S</i>	<i>T</i>	<i>Y</i>
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 x 6 = 12 marks)