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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 31st 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)