



M 26602

Reg. No. :

Name :

**I Semester M.A./M.Sc./M.Com. Degree (Regular/Supplementary/
Improvement) Examination, November 2014
(2014 Admn. under CBSS)
COMMERCE**

COM 1C 05 : Accounting for Business Decision

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions.

- I. a) Define Management Accounting.
b) Discuss the functions of management accountant.
c) How will you install management accounting system ?
- II. a) Define Government Accounting.
b) What are the objectives of government accounting ?
c) Distinguish government accounting and commercial accounting.
- III. a) What is responsibility accounting ?
b) What are the steps in responsibility accounting ?
c) Describe the essentials of responsibility accounting.
- IV. a) What is capital budgeting ?
b) Explain the process of capital budgeting.
c) The following are particular relating to two alternative machines.

	Machine A	Machine B
Purchase price	50,000	84,000
Estimated life (year)	8	10
Net earnings after tax but before depreciation (p.a)	10,000	12,000

Calculate the profitability of the investment on the basis of payback profitability.

P.T.O.



- V. a) What is budget ?
 b) What are the steps involved in the preparation of budget ?
 c) What are the limitations of budgeting ?
- VI. a) What is cost of retained earning ?
 b) Mr. X holds 110 shares of Rs. 100 each in Y Ltd. The company has earned Rs. 10 per share and distributed ₹ 6 per share as dividend among the shareholder and the balance is retained. The market price of the share in Y Ltd. is Rs. 110. If personal income tax applicable to Mr. X is 40 %. Find out the cost of retained earning.
 c) How can you classify cost of capital ? Discuss the different types of cost of capital. **(4×9=36)**

SECTION – B

Answer **any two** questions. **Each** carries **12** marks.

VII. A company's cost of capital for specific sources is as under

Cost of debentures	5%
Cost of preference shares	10%
Cost of equity shares	14%
Cost of retained earnings	13%

The company wishes to raise ₹ 5,00,000 for the expansion of its plant. It is estimated that ₹ 1,00,000 will be available as retained earnings and the balance of the additional funds will be raised as under

Debenture issue	₹ 3,00,000
Preference share issue	₹ 1,00,000

Using marginal weights calculate weighted average cost of capital.

OR

Describe the different methods for accounting for risk in capital budgeting.



VIII. Explain the factors influencing capital expenditure decision.

OR

From the following forecasts of income and expenditure, you are required to prepare a cash budget for three months ending 30th November. The bank balance on 1st September was ₹ 10,000.

Months	Sales	Purchase	Wages	Factory exp.	Office exp.
	₹	₹	₹	₹	₹
July	80,000	40,000	5,600	3,900	10,000
August	76,500	42,000	5,800	4,100	12,000
September	78,000	38,500	5,800	4,200	14,000
October	90,000	37,500	5,900	5,100	16,000
November	95,000	43,000	5,900	6,000	13,000

A sales commission of 4% on sales, due in the month in which sales dues are collected is payable in addition to office expenses. Fixed assets worth ₹ 65,000 will be purchased in September to be paid in the following month. ₹ 20,000 in respect of debenture interest will be paid in October. The period of credit allowed to customer is two month and one month credit is obtained from suppliers of goods. Wages are paid twice in a month on 1st and 16th respectively. Expenses are paid in the month in which they are due.

(2×12=24)