K15P 0326

Reg. No. : ....

Name : ....

I Semester M.Com. Degree (Reg./Sup./Imp.) Examination, November 2015
COMMERCE (2014 Admn. Onwards)
COM 1C05 : Accounting for Business Decisions

Time : 3 Hours Max. Marks : 60

SECTION – A

Answer **any four** questions, **each** carries **9** marks.

I. a) What is management accounting ?

b) State the importance of management accounting.

c) What are the purpose of management accounting ?

II. a) What is government accounting ?

b) What are the different methods of preparing government account ?

c) Explain the features of government accounting in India.

III. a) Define decision tree.

b) Explain the construction of a decision tree in capital budgeting.

c) Illustrate the merits and demerits of decision tree analysis.

IV. a) Define capital rationing.

b) What are the different steps in the selection of projects under capital rationing ?

c) Briefly explain the different methods of selecting a project under capital rationing.

P.T.O.

V. a) Define flexible budget.

b) State the circumstances in which flexible budget is prepared.

c) Prepare a flexible budget at 80 % and 100 % acting on the basis of the following information :

Production at 50% capacity	5000 unit
Raw materials	Rs. 80 per unit
Direct labour	Rs. 50 per unit
Expenses	Rs. 15 per unit
Factory expenses	Rs. 50,000 (50% variable)
Administration expenses	Rs. 60,000 (60% variable)

VI. a) Define cost of equity capital.

b) What are the factors determining cost of capital ?

c) The shares of a company are selling at Rs. 80 per share and the company had paid a dividend of Rs. 8/- per share last year. The investors expect a growth rate of 5% per year.

a) Calculate the equity cost of capital.

b) If the expected growth rate is 7% p.a., calculate the market price per share. **(4×9=36)**

SECTION – B

Answer the following, **each** carries **12** marks.

VII. Production costs of a factory for a year are as follow :

Direct labour cost		75,000
Direct material cost		1,20,000
Production overhead-fixed	45,000	
Variable	70,000	1,15,000

The production manager anticipates the following changes in the forthcoming year.

a) The average rate for direct labour will fall from Rs. 4 per hour to Rs. 3/- per hour.

b) Production efficiency will decrease by 4%.

c) Direct labour hours will increase by 10% and

d) The purchase price per unit of direct materials and of the other materials and service included among overhead will remain unchanged. Draw up a budget and compute a factory overhead rate, the overheads being absorbed on a direct wages basis.

OR

Discuss in detail the objective of management Accounting. Explain the scope of management accounting. 12

VIII. Amsel Industrial Ltd. has assets of Rs. 1,60,000 which have been financed with Rs. 52,000 of debt and Rs. 90,000 of equity and general research of Rs. 18,000. The firm's total profits after interest and tax for the year ended 31-3-2014 were Rs. 13,500/-. It pays 8% interest on borrowed funds and is in the 50% tax bracket. It has 900 equity shares of Rs. 100 each selling at a market price of Rs. 120 per share. What is the weighted average cost of capital on market value method.

OR

Discuss in detail the different methods of evaluating profitability of capital investment proposed. 12
