

Reg. No. :

Name :

First Semester M.Com. Degree (Reg./Supple./Imp.)
Examination, October 2018
(2014 Admn. Onwards)
COM 1C05 : ACCOUNTING FOR BUSINESS DECISIONS

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer any four out of six.

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|---|---|
| I. a) Who is a Management Accountant ? | 1 |
| b) What are the duties of management accountant ? | 3 |
| c) State the limitations of management Accounting. | 5 |
| II. a) Define Social accounting. | 1 |
| b) What are the Objectives of social accounting ? | 3 |
| c) Explain the benefits of social accounting to the organisation. | 5 |
| III. a) Define decision tree. | 1 |
| b) What are the uses of game theory ? | 3 |
| c) Explain how you can construct a decision theory in capital budgeting. | 5 |
| IV. a) What do you mean by Zero Base Budgeting ? | 1 |
| b) Explain the process of Zero Base Budgeting. | 3 |
| c) Distinguish between Zero Base Budgeting and Traditional Budgeting. | 5 |
| V. a) What is cost of capital ? | 1 |
| b) State the significance of cost of capital. | 3 |
| c) A company issues Rs. 10,00,000 10% redeemable debentures at a discount of 5%. The cost of floatation amounts to ₹ 30,000. The debentures are redeemable after 5 years. Calculate before tax and after tax cost of debt assuming a tax rate of 50%. | 5 |



- VI. a) What is Net Terminal value methods ? 1
- b) Explain the different methods of capital rationing. 3
- c) A company has the following investment opportunities. 5

Projects	Initial Outlay	Profitability Index
A	4,00,000	1.15
B	2,50,000	1.13
C	3,50,000	1.11
D	3,00,000	1.08

The available funds are ₹ 6,00,000. Which projects the company should accepts.

SECTION – B

- VII. From the following capital structure of a company. Calculate the overall cost of capital, using (a) book value weights and (b) Market value weights.

Source	Book value	Market value
Equity share capital (Rs. 10 share)	45,000	90,000
Retained earnings	15,000	–
Preference share capital	10,000	10,000
Debentures	30,000	30,000

The after tax cost of different sources of finance is as follows :

Equity share capital : 14% ; Retained earnings : 13%

Preference share capital : 10% ; Debenture : 5%.

OR

Define responsibility accounting. What are the different steps involved for achieving the objectives of responsibility accounting ? Explain the different types of responsibility center.



VIII. Prepare a cash budget for the months of May, June and July 2014 on the basis of the following information. Income and expenditure forecast.

1)

Months	Credit Sales	Credit Purchase	Wages	Manufacturing expenses	Other expenses	Selling expenses
March	60000	36000	9000	4000	2000	4000
April	62000	38000	8000	3000	1500	5000
May	65000	33000	10000	4500	2500	4500
June	58000	35000	8500	3500	2000	3500
July	56000	39000	9500	4000	1000	4500
August	60000	34000	8000	3000	1500	4500

- 2) Cash balance on 1st May, 2014 ₹ 8,000.
- 3) Plant costing ₹ 16,000 is due for delivery in July, payable 10% on delivery and the balance after 3 months.
- 4) Advance Tax of ₹ 8,000 each is payable in March and June.
- 5) Period of credit allowed (i) by suppliers - 2 month and (ii) to customers - one month.
- 6) Lag in payment of manufacturing expense - 1/2 month.
- 7) Lag in payment of office and selling expense - one month.

OR

Explain the factors affecting capital investment decision and discuss the different capital appraisal methods.

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(2×12=24)