M 25151

Reg. No. : ....

Name : ....

II Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.) Examination, March 2014
COMMERCE
Paper – VII : Costing for Managerial Decision Making

Time : 3 Hours Max. Marks : 80

SECTION – A

Answer **any five** questions. **Each** question carries **equal** marks : **(5×8=40)**

1. Explain fully the concept and characteristics of differential costs.

2. "The technique of Marginal Costing can be a valuable aid to management'. Discuss.

3. From the following particulars, find out the BEP :

		Rs.
Variable cost per unit	–	15
Fixed Expenses	–	54,000
Selling price per unit	–	20

   What should be the selling price per unit. If BEP should be brought down to 6000 units ?

4. Discuss how value analysis can be applied in a manufacturing organisation to bring down the cost of production.

5. What is cost of capital ? Explain the significance of cost of capital.

6. What do you understand by contribution ? How does it help the management in solving various problems ?

7. What are the different types of reports ?

8. Draw a break-even chart with a few illustrative figures. Explain the cost-volume-profit relationship.

P.T.O.

SECTION – B

Answer **any two** questions. **All** questions carry **equal** marks : **(2×20=40)**

9. Calculate :

   1) The amount of fixed expenses

   2) The number of units to B.E.

   3) The number of units to earn a profit of Rs. 40,000

   The selling price per unit can be assumed at Rs. 100.

   The company sold in two successive periods 7000 units and 9000 units and has incurred a loss of Rs. 10,000 and earned Rs. 10,000 on profit respectively.

10. A company issues 1000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 20% dividend to equity share holders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share in Rs. 160/- ?

11. A company has capacity of producing 100000 table fans in a month. The sales manager reports that the following schedule of sale price is possible at different levels of production :

Volume of production	Selling price per unit Re.
60%	0.90
70%	0.90
80%	0.75
90%	0.67
100%	0.61

   The variable cost of manufacture between three levels is Re. 0.15 per unit and the fixed cost Rs. 40,000. At what volume of production will the profit be maximum ?

12. The equity shares of a company is currently selling at Rs. 305.08 and it is currently paying a dividend of Rs. 4.24 per share. The dividend is expected to grow at a 18% annual rate of five years and then 12% forever. Calculate the cost of equity capital.