M 27361

Reg. No. : ....

Name : ....

Second Semester M.A./M.Sc./M.Com Degree (Reg./Supple./Imp.) Examination, March 2015
COMMERCE (2013 and Earlier Admn.)
Paper – VII : Costing for Managerial Decision Making

Time : 3 Hours Max. Marks : 80

SECTION – A

Answer **any five** questions. **Each** question carries **8** marks.

1. Compare and contrast absorption costing and marginal costing.

2. State the essential features of ditterential cost.

3. Your company's share is quoted in the market at Rs. 20 currently. The company pays a dividend of Rs. 1 per share and the investor expects a growth rate of 5% per year. Compute :

   a) The company's cost of equity capital.

   b) If the anticipated growth rate is 6% p.a, Calculate the indicated market price per share.

   c) If the company's cost of capital is 8% and the anticipated growth rate is 5% p.a, Calculate the indicated market price of the dividend of Rs. 1 per share is to be maintained.

4. What are the requirements of a good report.

5. Explain the different methods adopted for computing the cost of equity capital.

6. State the circumstances in which selling price of a product fixed even below the marginal cost.

7. The following information is available in respect of Kerala sports the Trivandrum for the budget period. Sales 10,000 units at Rs. 10 per unit, variable cost Rs. 4 per unit, Fixed cost the Rs. 25,000 including depreciation Rs. 5,000 preference dividend to the paid Rs. 5,000, Taxes to be paid Rs. 20,000. It may be assumed that there is no lag in payment. Prepare a cash break even chart.

8. Distinguish between cost reduction and cost control.

SECTION – B

Answer **any two** questions. **Each** question carries **20** marks.

9. Welldine Ltd. manufactures filling cabinets. For the current year, the company expects to sell 4,000 cabinets involving a loss of Rs. 2,00,000. Only 40% of the plant's normal capacity is being utilised during the current year. The fixed cost for the year are Rs. 10,00,000 and fully variable costs are 60% of sales value, you are required to :
   1) Calculate the BEP
   2) Calculate the profit if the company operates at 70% of its normal capacity.
   3) Calculate the sales required to achieve a profit of Rs. 60,00,000.
   4) Calculate the revised BEP if the existing selling prices are decreased by 10%, the total fixed and variable expenses remaining the same.
10. K Ltd. has the following capital structure 10,000 equity shares of Rs.100 each (market value Rs.160) = 10,00,000, 5,000 preference share of Rs.100 each (market value Rs. 100) = 5,00,000, 2,000 11% debentures of Rs.100 each (market value Rs. 95) Rs. 2,00,000. Reserves and other retained profit 2,50,000. The cash of capital has been worked out as follows. Equity share capital 16%, preference share capital 12% Debentures 8% (after tax), Retained earning 14% compute weighted average cost assigning weight on the basic of market value.
11. What are the various ways in which marginal costing can help management.
12. Explain the applications of differential cost analyse.
