K22P 1562

Reg. No. : ....

Name : ....

I Semester M.Com. Degree (CBSS – Reg./Sup./Imp.) Examination, October 2022 (2019 Admission Onwards) COM1C05 : ACCOUNTING FOR BUSINESS DECISIONS

Time : 3 Hours Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (**a**), **3** marks for Part (**b**) and **5** marks for Part (**c**).

1. a) What is performance budgeting ?
   b) What are the key features of programme budgeting ?
   c) Explain social accounting.

2. a) What is capital budgeting ?
   b) What are the limitations of the payback period method ?
   c) A project costs Rs. 20,00,000 and yields a profit of Rs. 4,00,000 annually for 10 years. The profit is before depreciation and tax. You are required to calculate the payback period assuming 50% tax rate and depreciation on the straight-line method.

3. a) Explain the method of calculating the cost of redeemable preference shares.
   b) How will you calculate net proceeds if the shares are issued at par, discount and premium ?
   c) The current market price of the shares of A Ltd. is Rs. 95. The cost of floatation is Rs. 5 per share. The dividend per share amounts to Rs. 4.5 per share and is expected to grow at the rate of 7%. You are required to calculate the cost of equity capital.

P.T.O.

4. a) Explain sensitivity analysis.
   b) What is risk-adjusted discount rate ?
   c) No project is acceptable unless the yield is 10%. Cash inflows of a certain project along with cash outflows are given below.

Year	Outflow (Rs.)	Inflow (Rs.)
0	1,50,000	–
1	30,000	20,000
2	30,000	–
3	60,000	–
4	80,000	–
5	70,000	–

   Calculate Net Present Value.

5. a) Explain the concept of management accounting.
   b) Enlist the objectives of management accounting.
   c) Explain the tools of management accounting.

6. a) What is a profit centre ?
   b) What is responsibility accounting ?
   c) Explain the new trends in accounting.

SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.

7. a) The Beta Company is considering the purchase of new investment. Two alternatives investments are available (A and B) Rs. 1,00,000. Cash flows are expected to be as follows :

Year	Cash Flows Investment A (Rs.)	Cash Flows Investment B (Rs.)
1	40,000	50,000
2	35,000	40,000
3	25,000	30,000
4	20,000	30,000

   The company has a target return on capital at 10%. Risk premium rates are 2% and 8%. For investments A and B. Which investments should be preferred ?

   OR

   b) Explain the risk-adjusted techniques in capital budgeting.

8. a) Explain zero-based budgeting. Compare with traditional budgeting. Elaborate on its process and advantages.

   OR

   b) A company has the following capital structure and after tax costs of different sources of capital used.

Type of Capital	Book Value	Proportion (%)	After tax cost (%)
Debt	4,50,000	30	7
Preference	3,75,000	25	10
Equity	6,75,000	45	15
	15,00,000	**100**	

   i) Determine the weighted average cost of capital using book value weights.
   ii) The firm wishes to raise further Rs. 6,00,000 for the expansion of the project as below :
   Debt Rs. 3,00,000
   Preference Capital Rs. 1,50,000
   Equity Capital Rs. 1,50,000

   Assuming that specific costs do not change, compute the weighted marginal cost of capital.

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