

PG-220

MCO-4

**M.Com. DEGREE EXAMINATION –
JUNE, 2009.**

First Year

(AY 2003–2004 to CY 2004 batches only)

**MANAGEMENT ACCOUNTING AND DECISION
MAKING**

Time : 3 hours

Maximum marks : 75

PART A — (3 × 5 = 15 marks)

Answer any THREE questions.

1. Define management accounting. Discuss the scope and functions of Management Accounting.

2. How is the weighted average cost of capital calculated?

3. Define management accounting. Discuss the scope and functions of Management Accounting.

4. How is the weighted average cost of capital calculated?

3. What is Budgetary Control? What are the objectives of Budgetary Control?

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4. Explain the nature and concept of capital Budgeting.

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5. Define 'risk'. How can risk be measured?

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PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

6. X Ltd., issues 1,00,000 8% debentures of Rs. 10 each at a premium of 10%. The costs of floatation are at 2%. The rate of tax applicable to the company is 60%. Compute the cost of debt capital.

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7. From the following information, prepare a Balance sheet. Working capital Rs. 75,000. Reserves and surplus

Rs. 1,00,000. Bank overdraft Rs. 60,000. Current Ratio 1.75. Liquid Ratio 1.15. Fixed Assets to Proprietor's fund 0.75. Long term liabilities NIL.

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8. A firm has a contract to supply 10,000 units of its product during 2005. The following were budgeted expenses and revenue.

Material Rs. 15 per unit

Wages Rs. 10 per unit

Works expenses (fixed) Rs. 40,000

Works expenses (variable) Rs. 4 per unit

General expenses (all fixed) Rs. 60,000

Profit is 20% on sale price. Prepare the budget for 2005 showing the costs and profits.

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9. Initial investment Rs. 60,000

Life of the asset 4 years

Estimated net annual cash flows:

1st year Rs. 15,000

2nd year Rs. 20,000

3rd year Rs. 30,000

4th year Rs. 20,000

Calculate Internal Rate of return.

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1-Áx Á,h® ¹. 15,000

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3- (A) h (R) 1. 30,000

4- (A) h (R) 1. 20,000

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10. Statement of Financial Position of Ram Seth are given below :

	1.1.2004	31.12.2004		1.1.2004	31.12.2004
	Rs.	Rs.		Rs.	Rs.
Accounts payable	29,000	25,000	Cash	40,000	30,000
Capital	7,39,000	6,15,000	Debtors	20,000	17,000
			Stock	8,000	13,000
			Buildings	1,00,000	80,000
			Fixed Assets	6,00,000	5,00,000
	<u>7,68,000</u>	<u>6,40,000</u>		<u>7,68,000</u>	<u>6,40,000</u>

Additional Information :

- (a) There were no drawings.
- (b) There were no purchase nor sale of either building or fixed assets.

Prepare cash flow statement.

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÷ Ási ÷ øÁ	29,000	25,000	PhúöíPÖ	20,000	17,000
%ø»uÚ (R)	7,39,000	6,15,000	\μUQ, ÷ í	8,000	13,000

		Pmih®	1,00,000	80,000
		{ø»-õÚ õ\õzxUPÒ	6,00,000	5,00,000
<u>7,68,000</u>	<u>6,40,000</u>		<u>7,68,000</u>	<u>6,40,000</u>

TkuÀ uPÁÀPÒ :

- (A) Cçu Á,hzvÀ Gk"; GxÄ® CÀø».
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11. Your company's share is quoted in the market at Rs. 20 currently. The company pays a dividend of Re. 1 per share and the investor's market expects a growth rate of 5% per year.

- (a) Compute the company's equity cost of capital.
- (b) If the anticipated growth rate is 6% p.a. Calculate the indicated market price per share.

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12. Define "Decision tree analysis". Explain the steps
you take for constructing a decision tree.

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