F-30A/2110

11017/NJ

Name of the examination: M.Com.
Nomenclature: Accounting for Managerial Decisions
Paper code: MC 102
Maximum marks: 70
Time allowed: 3 hours

Unit I

Note: Attempt any *two* questions. (10x2)

1. "Cost accounting is an aid to management." Comment.
2. What is cash flow statement? Differentiate between cash flow statement and fund flow statement.
3. From the following information, find out:
   a) Current assets
   b) Current liabilities
   c) Liquid assets
   d) Proprietor's fund
   e) Stock in trade
   f) Share capital
   g) Fixed assets

   Information: i) current ratio 2.5, ii) Liquid ratio 1.5, iii) Proprietary ratio (Fixed assets/ proprietor's fund) 0.75, iv) Working capital Rs. 60,000, v) Reserves and surplus Rs. 40,000, vi) Bank overdraft Rs. 10,000. There is no long term loan or fictitious assets.
4. A marketing manager suggests to his managing director that if he is permitted to reduce the selling price of a product by 20%, he would be able to achieve a 30% increase in sales volume. The managing director, finding that the sales volume increases exceeds in percentage the extent of requested reduction in price, gives the clearance. You are given the following information:
   Present selling price per unit- Rs. 7.50
   Present volume of sales- 2,00,000 units
   Total variable costs- Rs. 10,50,000
   Total fixed costs- Rs. 3,60,000
   Assuming no change in the cost pattern in the coming period,
   a) Examine the consequences of the managing director's decision assuming that 30% increase in sales is realised.
   b) At what volume of sale can the present quantum of profits be sustained, after effecting the price reduction.

Unit II

Note: Attempt any *two* questions. (10x2)

5. Implementing the balanced score card involves a phased approach with meticulous change management. Explain.
6. Describe strategic cost management. Explain in detail the key elements of strategic cost management.
7. The monthly budgets for factory overhead of a company for two levels of activity were as follows:

	60%	100%
Budgeted production (units)	600	1,000
	Rs.	Rs.
Wages	1,200	2,000
Consumable stores	900	1,500
Maintenance	1,100	1,500

Power and fuel Depreciation Insurance	1,600 4,000 1,000	2,000 4,000 1,000
Total	9,800	12,000

You are required to:

i. Indicate which of the items are fixed, variable and semi-variable
ii. Prepare a budget for 80% capacity
iii. Find the total cost, both fixed and variable, per unit of output at 80% capacity.

8. The Wade Division of Geisler Corporation has a current ROI of 20 percent. The company target ROI is 15 percent. The Wade Division has an opportunity to invest Rs.5,000,000 at 18 per cent but is reluctant to do so because its ROI will fall to 19.2 percent. The present investment base for the division is Rs.7,500,000.
Required:
Demonstrate how Geisler can motivate the Wade Division to make the investment by using the residual income method.

Unit III

(3x10)

9. Describe any *ten* of the following:
   a) Cost management
   b) Cash from operating activity
   c) Cost volume profit analysis
   d) Statement of change in working capital
   e) Activity ratios
   f) Common size statement
   g) Profit centre
   h) Zero based budgeting
   i) Strategic positioning
   j) Value chain
   k) Budgets
   l) Cost driver

11017/NJ