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2610E462

Candidate's Seat No :______

M.Com. (HPP) Sem-4 (A.A.A.) Examination

CC-19

Management Accounting-2

October 2021

Time : 2-00 Hours] [Max. Marks : 50

Instructions: All Questions in **Section I** carry equal marks

Attempt any **TWO** questions in **Section I**

Question V in **Section II is COMPULSORY**

Section I

Q.I The Following two alternatives are present before S Ltd. For investment in the new project: 20

	Project A	Project B
Initial Outlay	₹ 50000	₹ 50000
Estimated Life	5 years	5 years
Cash Flows:		
Years		
1	15000	5000
2	20000	15000
3	25000	20000
4	15000	30000
5	10000	20000

The company expects 10% return.

Year	1	2	3	4	5
Disc. factor	0.909	0.826	0.751	0.683	0.624

Find out the profitability of both the projects by following methods:

1) Net present Value
2) Payback period
3) Profitability Index
4) Accounting rate of return

Q.II (A) XYZ Ltd. Has ₹ 20, 00,000 allocated for capital budgeting purpose. 10

The following proposal and associated profitability indexes have been determined:

Project	Amount	Profitability Index
A	6,00,000	1.22
B	3,00,000	0.95
C	7,00,000	1.20
D	9,00,000	1.18
E	4,00,000	1.20
F	8,00,000	1.05

Assume the projects are indivisible and there is no alternative use of the money allocated for capital budgeting.

Which of the above investments should be undertaken?

Q.II (B) A Company is considering a proposal to buy one machine out of the two. An investment of ₹ 50,000 is required in each machine and useful life of each 10

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machine is estimated at 4 years. The vendor of these machines has given a guarantee to purchase these machines for ₹ 5000 at the end of their useful life. The company uses certainty equivalent co-efficient to evaluate the risky projects. The risk adjusted rate of discount is 16%, while the riskless discount rate is 10%.

Year	Machine X		Machine Y	
1	30000	0.8	18000	0.9
2	30000	0.7	36000	0.8
3	30000	0.6	24000	0.7
4	30000	0.5	32000	0.4

Which machine should be purchase?

Q.III Calculate missing figures in the following table: 20

Particulars	**Division X**	**Division Y**	**Division Z**
Sales (Rs.)	2,00,000	1,20,000	1,50,000
Operating Income (Rs.)	(?)	(?)	50,000
Operating Assets (Rs.)	1,00,000	60,000	(?)
Return on Investment (ROI) (%)	20%	15%	10%
Minimum Rate of Return (%)	(?)	10%	(?)
Residual Income (Rs.)	NIL	(?)	10000

Q.IV Division Z of company is a profit centre produces four products A,B, C and D. each product is sold in external market also. Data is as follows: 20

Particular	Product A	Product B	Product C	Product D
External Market Price (Rs.)	150	146	140	130
Variable Cost (Rs.)	130	100	90	85
Direct Labour Hours	3	4	2	3

Product D can be transferred to Division Y , But the maximum quantity that might be required for transfer is 2500 unit of D.

The maximum outside sales are:

Product A	2800 Units
Product B	2500 Units
Product C	2300 Units
Product D	1600 Units

Division Y can purchase the same product at a slightly cheaper price of ₹ 125 per unit instead of receiving transfer of product D from division Z.

What should be the transfer price for each units for 2,500 units of D if the total labour hours available in division Z are: i) 20,000 Hours , ii) 30000 hours ?

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Section II

Q.V	Attempt any five out of Ten: 1. Net present Value =________ . a) Total present value cash inflow ÷ Total Investment b) Total present value cash inflow − Total Investment c) Total present value cash inflow × Total Investment d) Total Investment − Total present value cash inflow 2. Higher the discount rate, ______the present value. a) Increase b) Decrease c) No change d) Average 3. Under which method, cash flow of each year is re- invested? a) Net present value b) Pay back Period c) Internal Rate of return d) Terminal Value 4. Capital Investment Decisions are generally_________ . a) Routine b) Reversible c) Irreversible d) Recurring 5. A company's ROI would generally increase when _____. a) Cost Increases b) Assets Increases c) Cost Decreases d) Sales Decreases 6. Residual Income =_______ . a) Annual Profit – Cost of Capital b) Annual Profit + Cost of capital c) Annual Profit × Cost of Capital d) None of the above 7. Controllable profit =_________. a) Revenue – Fixed Cost b) Revenue – Controllable Cost c) Contribution – Fixed Cost d) Revenue – Variable Cost 8. Responsibility accounting is a part of_______ . a) Internal Reporting System b) External Reporting System c) Corporate Reporting System d) Global Reporting System	10

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	9. Under method of _______ , two separate transfer pricing method are used. a) Negotiated transfer pricing b) Total Cost method c) Dual pricing d) Market price method 10. Which of the following are methods of Transfer pricing? a) Market based Pricing b) Negotiated Pricing c) Dual Pricing d) All of the Above	

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