2016

M. Com.

3RD Semester Examination

ADVANCE MANAGEMENT ACCOUNTING

PAPER – COM – 305

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

UNIT – I

1. Answer any two questions of the following: 5 X 2

(a) A Firm is considering for five investable projects under a Capital Constraints of Rs. 30 lakh. The relevant information of the projects are given below

Projects	Outlay (Rs. in lakh)	NPV (Rs. in lakh)
A	18.00	7.50
B	15.00	6.00
C	12.00	5.00
D	7.50	3.60
E	6.00	3.00

Project **B** & **C** are mutually exclusive and the **others** are independent. Which Projects the Firm should go for in order to optimize its NPV?

(b) Compare and contrast between certainty equivalent approach and risk-adjusted discount rate approach for capital budgeting decision under uncertainty.

(c) Management Accounting is concerned with accounting information that assist the management – Explain.

(Turn over)

(d) How the NPV and IRR differ as a criteria for evaluating capital projects.

2. Answer any one questions of the following: 10 X 1

(a) i) Explain the Markowitz's Mean-Variance rule for selecting capital projects under uncertainty.
ii) From the following information of Amaan & Co. compute the risk adjusted NPV of the projects and select the best one.

Particulars	Project- A	Project- B	Project- C
Investment (C_0)	Rs. 1500000	Rs. 1800000	Rs. 2400000
Effective life	6 Years	6 Years	6 Years
Operating Profit before Tax & Depreciation	Rs. 600000	Rs. 700000	Rs. 1000000

The 10 years Govt. Bond rate is 9.75% may be taken for evaluating the project. The Company's risk premium is 6% for its investment. The specific risk premium is 3.25%, 4.25% & 6.25% respectively for Projects A, B & C. 3+7

(b) Write short notes on **Pay Back Reciprocals, Benefit Cost Ratio & IRR**.

UNIT – II

3. Answer any two questions of the following: 5 X 2

a) Discuss the features of Responsibility Accounting.

b) Write the merits and demerits of Segment Residual Income Approach.

c) Summarize the methods for Maxi-max or Mini-Min criteria.

d) What is EMV? Draft a procedure for calculating EMV.

4. Answer any one question of the following: 10 X 1

a) Birla Ltd. deals with three products – Bearing, Choke & Gears. All the products sold out directly through the sales men in three zone North, South & East. The responsibility for sales promotion rests with the HQ and it also does overall control of distribution and sales. Cost of sales as a percentage of sales are 85%, 80% & 75% respectively for three products. The details of sales, selling and distribution expenses for the year 2015 are as follows.

Zone	Product	Sales (Rs.)	Selling & Distribution expenses (Rs.)
North	Bearing	900000	63990
	Choke	900000	84465
	Gears	450000	47160
South	Bearing	675000	46710
	Choke	450000	47700
	Gears	225000	23940
East	Bearing	225000	18900
	Choke	180000	15165
	Gears	495000	66375

The selling and distribution expenses at HQ were –

Office Expenses : Rs. 94500/-
Advertisement : Rs. 135000/-
Other Expenses : Rs. 121500/-

Advertisement costs are allocated to Zones and Products on the basis of sales. Office and other expenses to be apportioned equally to the zones or the Products. While computing the Profit and Loose for the zones or the products as the case may be. Prepare a comparative Profit and Loose statement presenting zonal and different Product performance.

b) Write a note on the following –

i) Controllable and Uncontrollable variable costs,
ii) Pay off. 5+5

(*Internal Assessment :10 marks*)