to Rs. 22,000 for product A and Rs. 26,000 for product B. The attributable segment costs are: For product A, Rs. 40,000 (budgeted) and Rs. 44,000 (actual), and for product B, Rs. 60,000 (budgeted) and Rs. 64,000 (actual).
Assume that these costs represent all manufacturing costs and no opening and closing inventories. Actual variable manufacturing costs during December were Rs. 84,000 and Rs. 96,000 for divisions A and B respectively. The common firm-wide costs are assumed to be Rs. 48,000 to be apportioned on the basis of segment sales revenue.
From the above, prepeare a performance evaluation report, if the Railtel Ltd employs profit centre basis of divisional performance measurement.

a) Following are the information of Unfortunate Company for the year ended 31st March, 2022.

Balance Sheet as at 31st March, 2022

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital @ Rs.10 each	500000	Net Fixed Assets	1200000
		Investments	500000
Reserve & Surplus	300000	Closing Stock	120000
12% Debentures	600000	Sundry Debtors	80000
14% Bank Loan	400000	Bills Receivable	60000
Creditors	100000	Cash & Bank Balances	40000
Bills Payable	50000		
Outstanding Expenses	50000		
	2000000		2000000

Additional Information:

- During the year, the Company earned a return on its total assets @ 12% against a turnover of Rs.2500000.
- The Company is taxed @25%.
- The price-earnings ratio of the Company at the end of the year was 3.75.

Calculate Altman's Z Score of the Company and interpret about its health (Calculations are part of your answer).

(Internal Assessment: 10 marks)

2022

M. Com.
3rd Semester Examination
ADVANCED MANAGEMENT ACCOUNTING
PAPER – COM 303A

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

2. **Answer any two questions.** 2 X 2

a) Mention two advantages of NPV method.
b) From the following calculate ARR
Annual Average Net Profit Rs 10575, Initial Investment Rs 67500, Scrap Value Rs 5000.
c) What is profitability index?
d) Point out any two differences between management accounting and financial accounting.

3. **Answer any two questions:** 2 X 4

a) Consider the following information

Sales Volume	Probability
10000	0.10
12000	0.15
14000	0.25
16000	0.30
18000	0.20

The company's forecast of sales demand has presumed a sales price of Rs 6 per unit, budgeted variable cost are Rs 3.50 per unit and fixed costs for the period are Rs 34000. What is the likelihood that company will reach at least break-even in the period?

b) A project cost Rs 36000 and is expected to generate cash inflows of Rs 11200 annually for 5 years. Calculate IRR of the project.(P.V of annuity after 5 years @15 is 3.352, @ 16% 3.274 @ 17% 3.199 @18% 3.127).

c) What do you understand by capital rationing? What are the factors that lead to capital rationing situation for a firm?

d) A company has planned to manufacture a new product and wants to purchase one of the two sophisticated machines. The cost of purchase of either machine is the same, and it is Rs.10,00,000. The machines are expected to provide benefits over a period of 4 years and after that time the seller of the machines has promised to buy back the same at Rs.100000. The company normally uses certainty equivalent approach to evaluate any risky projects. The company's risk adjusted discount rate is 16% and the risk free rate is 8%.

The expected net Cash Flows After Tax (CFAT) with their respective Certainty Equivalents (CE) are as under:

	Machine A		Machine B	
Year	**CFAT**	**CE**	**CFAT**	**CE**
1	300000	0.8	280000	0.9
2	300000	0.7	460000	0.8
3	400000	0.6	340000	0.7
4	400000	0.5	320000	0.4

Which machine, if either, should the company purchase?

4. **Answer any one question:** **1 X 8**

a) A Ltd. has a choice between three Projects X, Y and Z. The following information has been estimated:

Market Demand (Profits) Rs '000

Projects	**D1**	**D2**	**D3**
X	190	50	15
Y	110	200	160
Z	150	140	110

Probabilities are D1 = 0.60, D2=0.20, D3=0.20

i. Which project should be undertaken if decision is made by expected value approach?

ii. Calculate the expected value of perfect information.

b) Delta Corporation is considering an investment proposal (The Delta Project), to expand one of its product lines. The project is planned to start at the beginning of the year 2023. Capital outlay in the beginning of the year is Rs. 750000. At the end of the year 2, another capital expenditure of Rs.400000 is required for an upgrade. The economic life of the project is estimated to be 6 years. The working capital requirement of the project is estimated as Rs.150000.

Forecasted profit from the project before depreciation and taxes are:

Year	1	2	3	4	5	6
EBIT (Rs.)	225000	250000	270000	450000	470000	480000

The company charges depreciation on its assets on straight line basis. Out of the investment in working capital, 30% of it will be freed at the end of 5^{th} year and the remaining at the end of the lifetime of the project.

Assume the corporate tax rate is 25% and the marginal cost of capital as 12%.

Evaluate the acceptability of the project by computing NPV of it (Ignore scrape value of the assets, if any).

UNIT – II

5. **Answer any two questions:** **2 X 2**

a) Mention any two features of responsibility accounting.

b) Point out the reasons for corporate financial distress.

c) What is transfer pricing?

d) What is BIFR?

6. **Answer any two questions:** **2 X 4**

a) RCF Ltd. has two divisions P and Q. Each division is treated as an investment centre. It has supplied the following information for the year ending 31^{st} December, 2020:

Particulars	**P (Rs.)**	**Q (Rs.)**
Sales	7,00,000	9,50,000
Variable Cost	3,20,000	4,10,000
Fixed overhead	2,00,000	2,90,000
Divisional assets	2,50,000	3,75,000

You are requested to assess the performance of the divisions with the help of ROI.

b) Point out the differences between Univariate Approach and Multivariate Approach to corporate sickness prediction.

c) Define Responsibility Accounting. State the advantages of implementing responsibility system in a decentralized organization.

d) State some of the important indications of corporate sickness.

7. **Answer any one question:** **1 X 8**

a) Railtel Ltd employs a budgetary control system and measures performance on segmented basis of its product line divisions, A and B. The budgeted and actual sales figures for the month of December are as follows:

Division	**Sales (Units)**		**Sales Revenue**	
	Budgeted	**Actual**	**Budgeted**	**Actual**
A	20,000	24,000	Rs. 2,00,000	Rs. 2,40,000
B	40,000	40,000	Rs. 2,00,000	Rs. 2,40,000

The standard unit controllable variable costs are Rs. 4 for product line A and Rs. 2 for product line B. The company's budgeted controllable fixed costs for the month are Rs. 20,000 each for products A and B, whereas the actual amounted