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MBAH 502

Third Semester M.B.A. Degree Examination, December 2018
BUSINESS ADMINISTRATION
Management Accounting

Time : 3 Hours

Sri Dharmasthala Manjunatheshwara
College of Business Management, Mangalore
Post Graduate Centre for Management
Studies and Research Library

Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A
(Compulsory)

(2×10 = 20)

Note : Answer **any two** questions. **Each** question carries **10** marks. Answer to the question should **not** exceed **six** pages.

1. Define accounting, Distinguish between Financial Accounting and Management Accounting.
2. Discuss the differences between the marginal costing and absorption costing.
3. Explain the significance and objectives of a break-even chart and state the factors which would cause the break-even point to change. What are the limitations of break-even analysis ?

SECTION – B

(3×12 = 36)

Note : Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **six** pages.

4. What do you understand by 'Zero Base Budgeting' as distinct from conventional budgeting ? Briefly state its process, its advantages and limitations. Discuss its applications in business.
5. A company has a paid up equity capital of 6,00,000 equity shares of Rs. 10 each. The current market price of the share is Rs. 24. During the current year, the company has declared a dividend of Rs. 6 per share. The company has also previously issued 14% preference shares of Rs. 10 each aggregating Rs. 30 lakhs and 13% 50,000 debentures of Rs. 100 each. The company's corporate

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tax rate is 40%, the growth in dividends on equity shares is expected at 5%. In case of preference shares, the company has received only 95% of the face value of shares after deducting issue expenses. Calculate the Weighted Average Cost of capital of the company.

6. As on 31-03-2015, the paid up capital of ABC Ltd. was Rs. 1,00,00,000. The ratios as on that date were as under :

Current debt to Total debt	0.40
Total debt to equity	0.60
Fixed assets to Equity	0.60
Total assets turnover (based on sales)	2 times
Inventory turnover (based on sales)	8 times

Prepare the Balance Sheet of ABC Ltd.

7. A firm whose cost of capital is 10% is considering two mutually exclusive projects A and B, the details of which are :

	Year	Project A (Rs.)	Project B (Rs.)
Cost	0	1,00,000	1,00,000
Cash inflows	1	10,000	50,000
	2	20,000	40,000
	3	30,000	20,000
	4	45,000	10,000
	5	60,000	10,000

Compute the Net Present Value, Profitability Index and Internal Rate of Return for the two projects and comment on the result.

8. What is fund flow statement ? How is it different from cash flow statement ?
What are the mechanics involved in preparation of fund flow statement ?

SECTION – C
(Compulsory)

(1×14 = 14)

Note : Answer to the question should not exceed six pages. Each question carries 14 marks.

9. The data of ABC Ltd. is as under :
Production for the year is 69000 units. Credit given to debtors is 13 months. Finished goods inventory is 3 months. Raw material inventory is 2 months consumption. Production process takes 1 month and credit allowed by creditors is 2 months. The selling price is Rs. 50 each, raw material constitute 50% of selling price, direct wages constitute 10% of selling price and overheads 20% of selling price. There is regular production and sales cycle and wages and overheads accrue evenly. Wages are paid in the next month of accrual. Material is introduced in the beginning of the production cycle. Work-in-process involves use of full unit of raw materials in the beginning of manufacturing process and other conversion costs equivalent to 50%.
Calculate the working capital requirement for ABC Ltd.