Reg. No. | | | | | | | | | |

MBAH 502

III Semester M.B.A. Degree Examination, November/December 2019

(Choice Based Credit System)

BUSINESS ADMINISTRATION

Management Accounting

Time : 3 Hours] [Max. Marks : 70

SECTION – A

(Compulsory)

Answer **any two** questions. Each question carries **10** marks. Answer to the question should not exceed 6 pages : **(2 × 10 = 20)**

1. Provide a comparative distinction between Financial Accounting and Management Accounting. Also discuss various tools used in Management Accounting.

2. What do you understand a budget? Explain the different steps involved in preparation of budget.

3. Explain the discounted and non discounted cash flow methods used in capital budgeting techniques. Evaluate the accept reject rules followed in these capital budgeting techniques.

SECTION – B

Answer **any three** questions. Each question carries **12** marks. Answer to the question should not exceed 6 pages : **(3 × 12 = 36)**

4. From the following information supplied to you, determine the appropriate weighted average cost of capital, relevant for evaluating long term investment projects of the company :

Cost of equity :	12%
After-tax cost of long-term loans :	7%
After-tax cost of short term loans :	4%

P.T.O.

Source of capital	Book Value (Rs.)	Market Value (Rs.)
Equity	5,00,000	7,50,000
Long-term debt	4,00,000	3,75,000
Short-term debt	1,00,000	1,00,000
	Total	12,25,000

5. What do you understand by responsibility centers? Explain the role of cost centre, revenue centre, investment centre and profit centre.

6. A watch manufacturing company is operating at 70% capacity and presents the following information :

Break-even point	Rs. 200 crores
P.V. Ratio	40 per cent
Margin of safety	Rs. 50 crores

The company's management has decided to increase production to 95 percent capacity level with the following modifications :

– The selling price will be reduced by 8 percent

– The variable cost will be reduced by 5 percent on sales

– The fixed cost will increase by Rs. 20 crores, including depreciation on additions, but excluding interest on additional capital

– Additional capital of Rs. 50 crores will be needed for capital expenditure and working capital.

You are required to find out the following :

(a) Indicate the sales figures, with the working that will be needed to earn Rs. 10 crores over and above the present profit and also meet 20 percent interest on the additional capital.

(b) What will be the revised ;

(i) Break-even point

(ii) P.V. Ratio

(iii) Margin of safety

7. Examine critically the different approaches to the calculation of cost of equity capital.

8. From the following information given, calculate (a) Debt equity ratio (b) Interest coverage ratio (c) Debt to total fund ratio (d) Return on investment ratio and (e) Capital turnover ratio

Particulars	Amount (Rs.)
Share capital	3,20,000
General reserve	1,20,000
Profit and Loss A/c	2,00,000
Loan @ 15% interest	4,00,000
Sale for the year	11,20,000
Tax paid during the year	80,000
Profit for the year after interest & tax	1,60,000

SECTION – C

(Compulsory)

Answer to the question should not exceed 6 pages. This question carries **14** marks. **(1 × 14 = 14)**

9. From the following Balance Sheet of Ramsons & Co. Ltd., as on 31st December, 2018 you are required to prepare Fund Flow Statement.

Balance Sheet

Liabilities	2017 (Rs.)	2018 (Rs.)	Assets	2017 (Rs.)	2018 (Rs.)
Equity share Capital	3,00,000	3,50,000	Fixed Assets	5,10,000	6,20,000
			Investments	30,000	80,000
Preference share Capital	2,00,000	1,00,000	Sundry debtors	40,000	75,000
			Stock	1,00,000	2,00,000
10% Debentures	1,00,000	2,00,000	Bills receivable	1,00,000	1,00,000
Reserves	1,10,000	2,70,000	Discount on debenture	10,000	5,000
Provision for Doubtful debts	10,000	15,000			
Sundry creditors	35,000	45,000			
Bills payable	35,000	1,00,000			
Total	7,90,000	10,80,000		7,90,000	10,80,000

Additional Information :

(a) Provision for depreciation stood at Rs. 1,50,000 on 31st December, 2017 and at Rs. 1,90,000 on 31st December, 2018.

(b) During the year 2018, a machine costing Rs. 70,000 (book value Rs. 40,000) was disposed off for Rs. 25,000.

(c) Preference share redemption was carried out at a premium of 5% on 1st January 2018 and

(d) Dividend @ 15% was paid on equity shares for the year 2017.
