

M.Com.(A&F) DEGREE EXAMINATION, ODD SEMESTER 2020
II Year III Semester
Accounting for Decision Making

Max.marks :25

Answer any **FIVE** questions ($5 \times 5 = 25$) Marks

1. Enumerate the different cost concepts in Decision Making.
2. State the objectives of Transfer Pricing.
3. Explain Target Costing.
4. Vasanth Ltd., presents the following results for one year. Calculate the P/V Ratio, BEP and Margin of Safety.

	Rs.
Sales	2,00,000
Variable costs	1,20,000
Fixed Cost	50,000
Net profit	30,000

5. Two projects M and N which are mutually exclusive are being under consideration. Both of them require an investment of Rs. 1,00,000 each. The net cash inflows are estimated as under:

Year	M Rs.	N Rs.
1	10,000	30,000
2	40,000	50,000
3	30,000	80,000
4	60,000	40,000
5	90,000	60,000

The Company's targeted rate of return on investments is 12%. You are required to assess the projects on the basis of their present values, using Net Present Value Method.

Present values of Re. 1 at 12% interest for five years are given below:

1st year: 0.893; 2nd year: 0.797; 3rd year: 0.712; 4th year: 0.636;

5th year: 0.567.

6. An automobile manufacturing company finds that the cost of making Part No. 208 in its own workshop is Rs. 6. The same part is available in the market at Rs. 5.60 with an assurance of continuous supply. The cost data to make the part are;

Material	Rs. 2
Direct Labour	Rs. 2.50
Other variable costs	Rs. 0.50
Fixed cost allocated	Rs. 1
	Rs. 6

a) Should the part be made or bought?

b) Will your answer be different if the market price is Rs. 4.60?

Show your calculations clearly.

7. Alacrity Sewing machines Co. manufactures hand operated sewing machines. Prepare a schedule showing the total differential cost and increment revenue at each stage from the following data. At what volume the company should set its level of production?

Output (No.in 1000s)	Selling price per machine Rs.	Total Semi fixed cost (Rs.in 1000s)	Total variable cost (Rs.in 1000s)	Total fixed cost (Rs.in 1000s)
0.60	240	30	83.6	28.4
1.20	220	30	163.6	28.4
1.80	200	34	255.6	28.4
2.40	180	34	315.6	28.4
3.00	160	40	355.6	28.4
3.60	140	40	380.6	28.4