Reg. No. : ....

Name : ....

First Semester M.Com. Degree (CBSS – Supple. (One Time Mercy Chance)/Imp.) Examination, October 2023
(2014 to 2022 Admissions)
COM1C05 : ACCOUNTING FOR BUSINESS DECISIONS

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (**a**), **3** marks for Part (**b**) and **5** marks for Part (**c**).   **(4×9=36)**

1. a) State the importance of environmental accounting.

   b) What are the advantages of performance budgeting ?

   c) Elaborate on the importance environment accounting in the recent context.

2. a) What are the demerits of average rate of return ?

   b) Explain NPV method.

   c) A company is considering two proposals P and Q with an initial investment of Rs. 2,00,000 each are under consideration. The expected net annual cash inflows are as under.

Year	Net cash inflows Project P	Net cash inflows Project Q
1	40,000	30,000
2	70,000	40,000
3	80,000	60,000
4	60,000	70,000
5	30,000	1,20,000

Select the suitable proposal using payback period.

3. a) Explain the cost of retained earnings.

   b) List 3 important points why the calculation of the cost of capital is significant.

   c) The current market price of the shares of A Ltd. is Rs. 95. The cost of flotation is Rs. 5 per share. Dividend per share amounts to Rs. 4.50 per share and is expected to grow at the rate of 7%. You are required to calculate the cost of equity capital.

P.T.O.

4. a) Explain Decision tree analysis.

   b) Explain the coefficient of variation as a measure of risk.

   c) Project A and Project B require an investment of Rs. 50,000 and Rs. 80,000 respectively. Calculate the NPV of these projects if they generate cash flows as under. The discount rate is 10%.

Years	Project A	Project B
1	25,000	20,000
2	15,000	22,000
3	12,500	23,000
4	Nil	25,000
5	12,000	18,000
6	6,000	8,500

5. a) Elaborate on the concept of management accounting.

   b) Describe the objectives of management accounting.

   c) Explain the scope of management accounting.

6. a) Define "Responsibility centre".

   b) Explain the concept of environment accounting.

   c) Elaborate on social accounting in business decision-making.

SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.   **(2×12=24)**

7. a) A company is considering a new project for which the investment data are as follows :

   Capital outlay Rs. 2,00,000.

   Depreciation 20% per annum.

   Forecasted annual income before charging depreciation but after all other charges as follows :

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000
Total	**4,00,000**

On the basis of available data, set out calculations, illustrating and comparing the following methods of evaluating the return of capital employed.

 a) Payback method.

 b) Rate of return of original investment.

State clearly any assumption you make. Ignore taxation.

OR

b) Explain probability assignment and standard deviation as the techniques of risk analysis in capital budgeting. Give suitable illustrations.

8. a) A firm has the following capital structure and after-tax cost for the different sources of funds used :

Source of funds	Amount (Rs.)	Proportion (%)	After tax cost (%)
Debt	15,00,000	25	5
Preference capital	12,00,000	20	10
Equity capital	18,00,000	30	12
Retained earnings	15,00,000	25	11
Total	**60,00,000**	**100**	

  i) You are required to compute the weighted average cost of capital.

  ii) Comment on the advantages of weighted average cost of capital.

OR

b) Explain the zero-based budgeting. Elaborate on its process and advantages.

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