M.Com. 3rd Semester Examination, 2011

COMMERCE

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

(*Advanced Management Accounting*)

PAPER—COM-303(AF)

UNIT – I

[*Marks* : 20]

1. Answer any *two* of the following questions : 5 × 2

(*a*) Define Management Accounting. Write down its limitations. 2 + 3

(*b*) Write the names of any four 'discounted cash flow' methods for project appraisal. Write down the assumptions of 'discounted cash flow' method. 1 + 4

(*c*) What do you mean by the term 'Pay Back Period' of a project ? What are the drawbacks of the pay back period approach in project evaluation ? 2 + 3

(*d*) Distinguish between capital budgeting under certainty and capital. Budgeting under risk and uncertainty. Write down Markowitz 'mean -variance' rule for project selection under risk and uncertainty. 2 + 3

2. Answer any *one* question : 10 × 1

(*a*) Maity Electronics wants to take up a new project to manufacture an electronic device. Cost of the project is estimated below :

	(Rs. Lakhs)	
Land	2·00	(Will be incurred at the beginning of year -1)
Building	3·00	(Will be incurred at the end of year -1)
Machinery	10·00	(Will be incurred at the end of year -2)
Working capital (Margin money)	5·00	(Will be incurred at the beginning of year -3)
	20.00	

(*Continued*)

The project will go into production at the beginning of year-3 and will be operational for 5 years. The annual working results are estimated below :

	(in Rs. Lakhs)
Sales	20·00
Variable costs	8·00
Eixed costs (excluding depreciation)	4·00
Depreciation on fixed assets (Allowable for income tax purpose also)	2·00

At the end of the operational period, it is expected that the fixed assets can be sold at their book values, without making any profit or loss.

Cost of capital is 12% and applicable tax rate is 30%.

You are required to evaluate the proposal by working out net present value and advise the firm.

(*b*) Atom Chemical Ltd. has recently developed a new product for which a substantial market is likely to exist in one year time. Due to the highly unstable nature of the product, a new production process must be set up at a cost of Rs. 25 lakhs to cope with the anticipated high temperature reactions. This process will take one year to develop but it is estimated that there is only a 0·55 probability that it will provide adequate standard of safety. In the light of this the company is considering the additional development of a computerised control system (CCS), which will detect and warn against dangerous reaction conditions.

Research on CCS will take one year and cost Rs.10 lakhs and the company estimates that there is a 0·75 probablility that the CCS can be developed successfully.

Development of CCS can either begin immediately or be postponded for one year until the safety of the new process is known. If the CCS is developed immediately and the process proves to have an adequate standard of safety, then the CCS will be unnecessary.

On the other hand, if the CCS is postponded, and the new process terns out to be unsafe, a subsequent successful development of CCS will delay the production by one year. If neither the new process nor the CCS are successful, the production can not be made and the project will be abandoned.

If sales of the new product can commence in one years time, it has been estimated that the discounted profit would be Rs. 100 lakhs before any allowance for process development and CCS. If the launch of the product is delayed by one year, however, the total return is expected to fall to Rs. 85 lakhs.

Draw a 'decision tree' and find the best course of action.

UNIT – II

[*Marks* : 20]

3. Answer any *two* questions of the following : 5 × 2

(*a*) Give your understanding about the 'learning curve'. Write down the expression of usual learning curve model. 3 + 2

(*b*) State the advantages of introducing Responsibility Accounting. Also state the major considerations in Responsibility Accounting. 3 + 2

(*c*) Define industrial sickness as per the

(*i*) Companies (Second Amendment) Act, 2002

(*ii*) Sick Industrial Companies (Special Provisions) Act, 1985.

Mention any four prominent reasons for industrial sickness. $1\frac{1}{2} \times 2 + 2$

(*d*) Following are the information of strong company for the year ended 31.3.2011.

Balance Sheet as at 31.3.2011

		Rs.			Rs.
Equity share capital (@ Rs.100 each fully paid up)		5,00,000	Net Fixed Assets		12.00,000
			Investments		5.00,000
10% preference share capital (@ Rs.100 each fully paid-up)		1.00,000	Current Assets :		
			Stock	1,20.000	
Reserve and surplus		2,50,000	Debtors	80.000	
10% Debentures		6,00,000	Bills Receivable	60.000	
14% Bank loan		3,50,000	Cash and Bank balance	40.000	3.00.000
Current liabilities :					
Creditors	1.00.000				
Bills payable	50.000				
Outstanding Exp.	50.000	2,00.000			
		20.00.000			20.00.000

(*Continued*)

For the year the company has earned a return on its total assets @6%, against a turnover of Rs. 30,00,000.

The effective tax rate for the company is 30%. The price-earning ratio at the end of the year is 3.5.

The market value of each preference share is Rs. 110.

Calculate Altman's 'Z' score for strong company. 5

4. Answer any *one* question : 10×1

(*a*) Roy & Co. sells a range of products in four districts. Each district is allowed to a salesman and the salesman is given the discretion to change the price within a certain range in their respective districts. For each quarter, sales quotas are fixed for each salesman and a 5% commission is given on actual orders booked, in addition to a monthly fixed salary of Rs. 20,000. The quantum of commission earned serves as an indication of the efforts made by the salesmen.

The new manager of the company has devised a MIS for quarterly appraisal and the following figures are called out from his records :

For the quarter ended 31st December, 2011

Salesman :	A	B	C	D
Salary and commission earned (Rs.)	83,800	76,500	89,850	81,100
Standard cost of quota sales (Rs.)	2,94,000	2,60,000	2,84,000	2,40,000
Sales price variance (Rs.)	6,000(A)	60,000(A)	23,000(A)	27,000(F)
Sales volume variance (Rs.)	8,000(A)	10,000(A)	1,40,000(F)	5,000(A)
Contribution margin mix variance (Rs.)	9,000(A)	14,000(A)	42,000(A)	18,000(F)

Required :

(*i*) Compute the sales quotas given to each salesman and their actual contribution made.

(*ii*) Rank the salesmen according to performance, explaining the basis.

(*iii*) Comment on the use of commission as an incentive. 5 + 2 + 3

(*b*) A florist, in order to satisfy the needs of his regular customers, stocks a highly perishable flower. A dozen flowers cost Rs. 40 and sell for Rs. 100. Any flower not sold on the day are spoiled and only 20% of the cost can be realised from selling those spoiled flowers. Demand in dozens of flowers is given below :

Demand	:	0	1	2	3	4	5
Probability	:	0·1	0·2	0·3	0·2	0·1	0·1

How many flowers should the florist stock daily in order to maximise his expected profit ? 10

[*Internal Assessment* : 10 Marks]

(*Marketing of Services*)

PAPER–COM-303(M)

UNIT – I

[*Marks* : 20]

1. Answer any *two* of the following questions : 5 × 2

(*a*) How long technology can be a differentiator in service marketing ?

(*b*) Mention different levels of service expectation hierarchy.

(*c*) Write a short note on "service encounter triad".

(*d*) How we can classify services based on the level of tangibility ?

2. Answer any *one* of the following questions : 10 × 1

(*a*) Give an elaboration on the theatrical nature of service.

(*b*) Discuss briefly different value based pricing strategies of services.

UNIT – II

[*Marks* : 20]

3. Answer any *two* of the following : 5 × 2

(*a*) Mention the difference between transactional marketing and relationship marketing.

(*b*) What is internal marketing and what is its importance inservice marketing ?

(*c*) Mention the strategies for delivering quality services through people.

(*d*) What are the degrees of relationship building in relationship marketing of services.

4. Answer any *one* of the following : 10 × 1

(*a*) Develop a model to make an understanding of the interactions between the physical evidences and the animated items in the service marketing organization.

(*b*) Write down the importance of people in service marketing. Mention the boundary spanning role of people in service place.

[*Internal Assessment* : 10 Marks]