



K15P 0191

Reg. No. :

Name :

Third Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)

Examination, November 2015

COMMERCE

(2013 and Earlier Admn.)

Paper – IX : Budgeting and Pricing

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **any five** questions. **Each** carries **8** marks.

1. State the significance of capital budgeting.
2. Explain the concept of responsibility accounting.
3. What are the advantages of zero base budgeting ?
4. The Maiden Co. plans to sell 108000 units of a certain product line in the first fiscal quarter, 120000 units in the second quarter, 132000 units in the third quarter and 156000 units in the fourth quarter and 138000 units in the first quarter of the following year. At the beginning of the first quarter of the current year, there are 18000 units of products in the stock. At the end of each quarter, the company plans to have an inventory equal to one-sixth of the sales for the next fiscal quarter.

How many units must be manufactured in each quarter of the current year ?

5. Distinguish between traditional budgeting and zero based budgeting.
6. What are the factors affecting future cashflows ?
7. Explain the meaning and concept of cash budgeting.
8. What do you mean by decision tree analysis ? What are the steps involved in it ?

(5×8=40)

P.T.O.



SECTION – B

Answer **any two** questions. **Each** carries **20** marks.

9. NASCOM Industries Ltd. is considering the purchase of a new machine which would carry out some operations at present being performed by hands. The two alternative models under consideration are CAMO and SHAMO

The following details are available in respect of both models

	₹ CAMO	₹ SHAMO
Cost of machines	6,00,000	10,00,000
Estimated life (in years)	10	12
Estimated savings in scrap p.a.	40,000	60,000
Additional cost of supervision p.a.	48,000	64,000
Additional cost of maintenance p.a.	28,000	44,000
Cost of indirect material p.a.	24,000	32,000
Estimated savings in wages		
1) Wages per worker p.a.	2,400	2,400
2) No. of worker not required	150	200

Using the method of payback period, suggest as which model should be purchased. Ignore tax.

10. A large retail stores makes 25% of its sales for cash and the remainder on 30, days net. Due to faulty collection practice, they have been losses from bad debts to the extent of 1% of credit sales on average in the past. The experience of the store tells that normally 60% of credit sales, are collected in the month following the sale. 25% in the second following month and 14% in the third following month. Sale in the preceeding three months have been January 2010 ₹ 80,000 ; February ₹ 1,00,000 and March ₹ 1,40,000. Sales for the next three months are estimated as April ₹ 1,50,000 ; May ₹ 1,10,000 and Jun. ₹ 1,00,000.

Prepare a schedule of projected cash collection during the month of April, May and June 2010 for presentation to the Finance Dept. What will be the cash receipt if the credit policy is enforced strictly. So that there are no overdue account and bad debts.



11. From the following information relating to 2010 and conditions expected to prevail in 2011, prepare a budget for 2011.

State the assumptions you have made

2010 Actuals	₹
Sales	1,00,000 (40000 units)
Raw materials	53,000
Wages	11,000
Variable overheads	16,000
Fixed overheads	10,000
2011 Prospect	
Sales	1,50,000 (60000 units)
Raw materials	5% price increases
Wages	10% increase in wage rate 5% increase in productivity
Additional Plant	One lathe ₹ 25,000 One Drill ₹ 12,000

12. Define Capital budgeting. Explain the procedure adopted in the process of capital budgeting. (2×20=40)
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