

**MALLA REDDY ENGINEERING COLLEGE (AUTONOMOUS)**

(Affiliated to JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD)

Maisammaguda, Dhulapally, (Post Via kompally), Secunderabad-500 100.

**MBA III SEM SUPPLEMENTARY EXAMINATIONS, JANUARY - 2017****SUBJECT: STRATEGIC INVESTMENT AND FINANCING DECISIONS**

Time: 3 Hours

Max Marks: 60M

**PART-A****Answer all questions****1x20M=20M**

1. An educational institute is planning to install air conditioners for its new computer centre. It has received proposals from two manufacturers. The first proposal is for the installation of 6 window air conditioners @ Rs. 25,000 each. The other is for the installation of split air conditioners of an equal capacity costing Rs. 2,00,000. The useful life of window air conditioners is 6 years and that of split air conditioners is 10 years. The operating costs associated with each proposal are given below.

| Years      | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Proposal 1 | 20,000 | 20,000 | 20,000 | 25,000 | 25,000 | 25,000 |        |        |        |        |
| Proposal 2 | 18,000 | 18,000 | 18,000 | 22,000 | 22,000 | 22,000 | 26,000 | 26,000 | 26,000 | 26,000 |

The salvage value of the window air conditioners at the end of 6 years is expected to be Rs.10, 000 and that of the split air conditioners Rs.15, 000. Advise the educational institute which proposal should be selected by it if its opportunity cost of funds is 10%.

**PART - B****Answer any Five Questions****5x8m=40 M**

1. Due to a considerable risk inherent in a project costing an initial cash outflow of Rs. 20,000 a firm decides to use certainty equivalents to evaluate the Project. The certainty equivalents have been estimated to be 0.8, 0.7, 0.6, 0.5, and 0.4 in a period of 5 years. The risk free rate of interest is 10%. The expected values of cash inflows are given below:

| Years           | 1     | 2     | 3     | 4     | 5      |
|-----------------|-------|-------|-------|-------|--------|
| Cash flows(Rs.) | 5,000 | 8,000 | 4,000 | 6,000 | 12,000 |

You are required to advise the firm whether its management should accept the project.

2. The investment data of Prudent Company Ltd. launching a new product and with 12% cost of capital, is as follows:

| Particulars | Amount        |
|-------------|---------------|
| Investment  | Rs. 7, 00,000 |
| CFAT:       |               |
| Year 1      | 5, 00,000     |
| Year 2      | 4, 00,000     |
| Year 3      | 2, 00,000     |
| Year 4      | 1, 00,000     |
| Year 5      | 1, 00,000     |

Assuming an inflation rate of 5%, determine NPV of the project by using both

- The nominal rate of discount and
- The real rate of discount.

3. Project X initially costs Rs. 25,000. It generates the following cash flows:

| YEAR | CASH INFLOWS |
|------|--------------|
| 1    | 9,000        |
| 2    | 8,000        |
| 3    | 7,000        |
| 4    | 6,000        |
| 5    | 5,000        |

Assume the cut-off rate as 10%. Calculate Discounted Pay Back Period .

4. Define lease. How does it differ from hire purchase and instalment sale?

5. Company X is considering the purchase of Company Y. The following are the financial data of the two companies:

|                        | Company X | Company Y |
|------------------------|-----------|-----------|
| No. of Shares          | 4, 00,000 | 1, 00,000 |
| EPS                    | Rs.6      | Rs.4.50   |
| Market value per share | Rs.30     | Rs.20     |

Assuming that the management of the two companies have agreed to exchange shares in proportion to:

- The relative earnings per share of the two firms
- 4 shares of company X for every 5 shares held in company Y.

You are required to illustrate and comment on the impact of merger on the impact of merger on the EPS.

6. Air India Company is interested in acquiring the use of an asset, costing Rs. 5, 00,000, it has two options:

- To borrow the amount @18% p.a. repayable at 5 equal installments.
- To take on lease the asset for a period of 5 years at the year-end rentals of Rs. 1, 20,000.

The corporate tax is 50% and depreciation is allowed on WDV at 20%. The asset will have a salvage value of Rs.1, 80,000 at the end of 5<sup>th</sup> year. You are required to advice the company about the lease or buy decisions. Will the decision change if the firm is allowed to claim investment allowance @ 25%?

7. Equipment A has a cost of Rs.80000, and net cash flows of Rs.25000 per year for six years. A substitute equipment B would cost Rs.50000 and generate net cash flows of Rs.14000 per year for six year. The required rate of return of both equipments is 11%. Calculate the NPV for the equipments. Which equipment should be accepted and why?

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**MBA III SEMESTER SUPPLEMENTARY EXAMINATIONS, JANUARY - 2017****SUBJECT: COST AND MANAGEMENT ACCOUNTING**

Time: 3 Hours

Max. Marks: 60

**PART-A****Compulsory Questions****1X20=20 Marks**

1. Rama Ltd, Operating at 80% level of activity furnishes the following information for 2014-15:

|                                       |     | Products |        |        |
|---------------------------------------|-----|----------|--------|--------|
|                                       |     | A        | B      | C      |
| Selling price/unit                    | Rs. | 10       | 12     | 20     |
| Profit as Percentage on selling price | %   | 25       | 33.33  | 20     |
| Units produced and sold               |     | 10,000   | 15,000 | 5,000  |
| Fixed costs                           | Rs. | 40,000   | 45,000 | 25,000 |

During the year 2015-16 the variable costs are expected to increase by 10%. There will, however, be no change in fixed costs, the selling prices and the units to be produced and sold. The sales potential for each of the products is unlimited.

- You are required to prepare a statement showing the P/V ratio, breakeven point, margin of safety for 2014-15 and 2015-16 for the company as a whole.
- The company intends to increase the production of only one of three products to reach the full capacity level by utilising the spare capacity available. Assuming that all three products take the same machine time, advise with reasons, so as to which of the three products should be produced so that the overall profitability is the maximum.

**PART-B****Answer any FIVE questions****5X8=40 Marks**

- Explain the differences between Financial accounting and Management accounting.
- Explain the treatment of by products in process costing.
- What do you mean by Activity Based Costing? Give its advantages and limitations.
- What is Budget? Explain any four types of Budgets.
- From the following data, calculate labour variance:

The budgeted labour force for producing product A is:

20 semi-skilled workers @ Rs 75 per hour for 50 hours

10 skilled workers @ Rs. 125 per hour for 50 hours

The actual labour force employed for producing A is:

22 semi-skilled workers @ Rs 80 per hour for 50 workers

8 skilled workers @ Rs. 120 per hour for 50 hours.

6. A company expects to have Rs. 37,500 cash in hand on 1<sup>st</sup> April, 2016 and requires you to prepare an estimate of cash position during the three months, April to June, 2016. The following information is supplied to you:

|          | Sales<br>Rs. | Purchases<br>Rs. | Wages<br>Rs. | Factory<br>Expenses<br>Rs. | Office<br>Expenses<br>Rs. | Selling<br>Expenses<br>Rs. |
|----------|--------------|------------------|--------------|----------------------------|---------------------------|----------------------------|
| February | 75,000       | 45,000           | 9,000        | 7,5000                     | 6,000                     | 4,500                      |
| March    | 84,000       | 48,000           | 9,750        | 8,250                      | 6,000                     | 4,500                      |
| April    | 90,000       | 52,500           | 10,500       | 9,000                      | 6,000                     | 5,250                      |
| May      | 1,20,000     | 60,000           | 13,500       | 11,250                     | 6,000                     | 6,570                      |
| June     | 1,35,000     | 60,000           | 14,250       | 14,000                     | 7,000                     | 7,000                      |

Other information:

- (1) Period of credit allowed by suppliers – 2 months.
- (2) 20% of sales is for cash and period of credit allowed to customers for credit sales is one month,
- (3) Delay in payment of all expenses – 1 month.
- (4) Income tax of Rs. 57,500 is due to be paid on June 15, 2016.
- (5) The company is to pay dividends to shareholders and bonus to workers of Rs. 15,000 and Rs. 22,500 respectively in the month of April.
- (6) Plant has been ordered and is expected to be received and paid in May. It will cost Rs. 1,20,000.

7. Following are the particulars for the production of 800 waterproofs by R Ltd for the year ending 31<sup>st</sup> March, 2015:

Cost of Materials Rs. 32,000; Direct wages Rs. 48,000; Manufacturing Charges Rs. 20,000; Office Salaries Rs. 24,000; Rent and Taxes Rs. 4,000; Selling Expenses Rs. 8,000; General Expenses Rs. 12,000; and Sales Rs. 1,60,000.

Following estimates were made by the costing department of the company for the year ending 31<sup>st</sup> March, 2016:

- (a) The output and sales will be of 1,000 waterproofs, (b) The price of materials will rise by 25% on the previous year's level, (c) Wages during the year will rise by 12½%, (d) Selling cost per unit will remain unchanged, (e) All Other expenses will remain unaffected by the rise in output.
- From the above information prepare cost statement showing the price at which the waterproofs would be marked so as to show a profit of 12½% on the selling price.

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**M.BA III SEM SUPPLEMENTARY EXAMINATIONS, FEBRUARY - 2017**

**SUBJECT: ORGANISATIONAL BEHAVIOUR**

**Time: 3 Hours**

**Max Marks: 60M**

**PART-A**

**Answer the Question**

**1x20M=20M**

1. Define Organizational Behaviour. What are the challenges and opportunities the managers have in applying OB concepts. Discuss the Conceptual Model of OB.

**PART – B**

**Answer any Five Questions**

**5x8m=40 M**

- Q1. Discuss the manager's functions, roles, and skills
- Q2. Write a short note on
  - a. What are the components of Attitude and what are the major job attitudes
  - b. Define Personality .Explain the Big Five Personality Model.
- Q3. Why do people form Groups. Explain stages of Group formation and Group properties
- Q4. Define Motivation. Explain Two factor theory and Alderfers ERG Theory
- Q5. Identify forces that act as stimulants to change and discuss various approaches to manage Change.
- Q6. Define Leadership. What is Transformational leadership? What are the challenges to Leadership Construct.
- Q7. What is the difference between Groups and Teams? How do you develop effective teams?