Code No. 2021

FACULTY OF MANAGEMENT

M.B.A. III – Semester Examination, December 2014

Course No. 3.4.2 (F)
Strategic Management Accounting
Elective – II Finance (Minor – I Area)

Time: 3 Hours **Max.Marks: 80**

Note : Answer all the questions.

PART – A (10 x 2 = 20 Marks)

1. Write short notes on:
   a) What is management control system?
   b) State assumptions of break-even analysis.
   c) Define responsibility accounting.
   d) What is segmented reporting?
   e) What is activity based costing?
   f) CAP analysis
   g) State stages in PLC.
   h) Budget, Budgeting and budgetary control.
   i) What is performance budget?
   j) What is target costing?

PART – B (5 x 12 = 60 Marks)
Answer all the questions.

2 (a) Distinguish between management accounting and financial accounting system.

OR

(b) There are two similar plants under the same management. The management desires to merge these two plants. The following particulars are available:

Particulars	Plant-I	Plant-II
Capacity operation	100%	60%
Sales	Rs. 300 lakhs	Rs. 120 lakhs
Variable cost	220 lakhs	90 lakhs
Fixed cost	40 lakhs	20 lakhs

You are required to calculate:

i. What would be the capacity of the merged plant to be operated for the purpose of break-even, and
ii. What would be the profitability on working at 75% of the merged capacity?

…2.

3 (a) Discuss various types of functional budgets in a manufacturing organization.

OR

(b) From the following information, compute relevant material cost variances.

Material	Standard		Actual	
	Quantity (Tonnes)	Rate Rs.	Quantity (Tonnes)	Rate Rs.
Copper	700	40	600	50
Zinc	300	15	600	10
Output	960 tonnes		1056 tonnes	

4 (a) Explain the significance of cost centre, profit centre and investment centre.

OR

(b) Your company fixes the inter-divisional transfer prices for its products on the basis of cost plus a return on investment in the division. The budget for division-A for 2010-11 appears as under:

Investment in Division – A:

Fixed assets	Rs. 500000
Current assets	300000
Debtors	200000
Annual fixed cost of the division	Rs. 800000
Variable cost per unit of product	Rs. 10
Budgeted volume	400000 units per year.
Desired ROI	28%

Determine the transfer price for Division-A.

5 (a) Discuss the advantages and limitations of activity based costing.

OR

(b) Explain the significance of customer costs identification in a service organization.

6 (a) Discuss strategic areas in product life cycle costing system.

OR

(b) Explain the significance of cost analysis for competitive pricing and bidding process.

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Code No. 2024

FACULTY OF MANAGEMENT

M.B.A. III - Semester Examination, December 2014

Subject: International Finance
Course No. 3.4.3 (F)
Elective – III (Finance) : Minor – II (Area)

Time: 3 Hours **Max. Marks: 80**

Part – A (10 x 2 = 20 Marks)

1 Write short notes on the following.
(a) International Financial System
(b) Types of Exchange Rates
(c) Objectives of IMF
(d) ADRs
(e) Foreign currency market
(f) BOP statement
(g) Green field investment
(h) International portfolio diversification
(i) Translation exposure
(j) Hedging

Part – B (5 x 12 = 60 Marks)
Answer **all** the questions.

2 (a) Discuss the objectives and functioning of International Financial Institutions.

OR

(b) Explain the advantages and limitations of various International Financial Instruments.

3 (a) Observe the following data and workout the arbitrage possibilities.
Spot Rate : Rs.61.2345 / $
6 month forward rate : Rs.63.3663 / $
Annualized interest rate on 6 month rupee : 9%
Annualized interest rate on 6 month dollar : 6.5%

OR

(b) (i) The current exchange rate is Rs.98.7654/pound.
The 6 month annualized interest rates are 11% and 7% on Indian rupee and British pound respectively. Find the 6 month towards exchange rate. And
(ii) The projected inflation rates in India and USA are 8% and 3% respectively for the next four years. The exchange rate today is Rs.62.3434 per U.S. dollar. What would be the exchange rates for the next four years?

..2

4 (a) An American multinational firm is planning to establish its unit in India with an initial investment of 10 billion US dollars and an investment in working capital of Rs. 2 billion. The annual cash inflows are expected to be Rs. 9 billion per year 7 % per year for next 5 years. After 10 years the project is to be closed down. The tax rate in India is 30% and exchange rate today is Rs.61.3344/$ and the rupee is expected to depreciate @ 1.5% per year for ten years. A discount rate of 10% is advised. Evaluate the project from the parent US Company's view.

OR

(b) (i) A US firm had borrowed Rs. 900 million @ 13.5% in India for its subsidiary. The tax rate is 33% and the average annual devaluation of the rupee against dollar is 3%. Find the cost of debt assuming tax deduction of the foreign exchange losses. And

(ii) A German firm's subsidiary in India had borrowed @ 14.5% in India. The rupee is expected to depreciate by 3% in comparison to German Mark. What is the effective rate of borrowing for German firm?

5 (a) Discuss the risk management practices of multi-National Corporations.

OR

(b) Explain the significance of Hedging strategies in minimizing foreign exchange risks.

6 (a) Discuss the pros and cons of multilateral tax treaties in recent times.

OR

(b) Describe different techniques for transfer pricing and its impact on tax methods.

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