LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – **COMMERCE**

SECOND SEMESTER – APRIL 2010

CO 2814 / 2810 - ACCOUNTING FOR DECISION MAKING

Date & Time: 23/04/2010 / 1:00 - 4:00 Dept. No. Max. : 100 Marks

PART-A

I Answer ALL questions. ` **(10 x 2 = 20)**

1. What is fund flow analysis?
2. Illustrate BEP.
3. Explain the term relevant costing.
4. Write a formula of Debt Equity ratio.
5. Spell out the need for cash budget.
6. Discuss the advantages of standard costing.
7. Current ratio 1.5 working capital Rs. 90,000. Calculate current asset and current liabilities.
8. A factory planned to produce 500 units of a product using 4000 labour hours costing Rs.40 each actually 450 units were produced by working 4,100 labour hours. Calculate labour efficiency variance.
9. The volume and profit relationship of a company is described by equation y = Rs. 3,00,000 + 0.7 x in which x represents sales and y represents total cost.
   Find out @ pv ratio b BEP.
10. From the following information relating ABC Ltd calculate fund from operation. Net profit for the year Rs.1,00,000. Dividend received Rs.7,000. Depreciation charged Rs.10,000. profit on sale of assets Rs.5,000 refund of tax Rs.2,000 and transfer to general reserve Rs.20,000.

PART-B

Answer any FIVE questions. **(5 x 8 = 40)**

11. What are the managerial use of fund flow statement?
12. i. What is zero-base budgeting (ZBB) ?
    ii. Explain the process of ZBB and its advantages.
13. Discuss Transfer Pricing in detail.
14. From the following details prepare balance sheet.

Long term loans	:	Rs.50,000
Working Capital	:	Rs.50,000
Reserves to Capital	:	1:2
Current Ratio	:	2 times
Liquid Ratio	:	1.4 times
Fixed asset to propriety ratio	:	0.6

There are no fictitious or intangible assets.

15. The expenses for budgeted production of 10,000 units in a factory are furnished below:

	Per Unit Rs.
Material	70
Labour	25
Variable Overheads	20

Fixed Overheads (Rs. 1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% Fixed)	13
Distribution Expenses (20% Fixed)	7
Administration Expenses	5
Total Cost per unit	155

Prepare a budget for production of:
(a) 8,000 units
(b) 6,000 units
(c) indicate cost per unit at both the levels.
Assume that administration expenses are fixed for all levels of production.

16. Following information has been made available from the cost records of United Automobiles Ltd. manufacturing spare parts.

Direct Materials	Per Unit
X	Rs. 8
Y	6
Direct Wages	
X	24 hours at 25 paise per hour
Y	16 hours at 25 paise per hour
Variable overheads	150% of wages
Fixed overheads	Rs. 750
Selling price	
X	Rs. 25
Y	20

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.
(a) 250 units of X and 250 units of Y (b) 400 units of Y only (c) 400 units of X and 100 units of Y (d)150 units of X and 350 units of Y.
State which of the alternative sales mixes you would recommended to the Management?

17. From the following information compute material variances.

	Standard			Actual		
	Quantity (Kilos)	Unit Price Rs.	Total Rs.	Quantity (Kilos)	Unit Prices Rs.	Total Rs.
Material A	10	2	20	5	3	15
Material B	20	3	60	10	6	60
Material C	20	6	120	15	5	75
Total	50	4	200	30	5	150

18. X Ltd has been approached by a customer who would like a special job to be done for him and he is willing to pay Rs.22,000 for it. The job would require the following materials.

Material	Total Units required	Stock(already there)	B.V. of stock(Rs./Unit)	Realizable value(Rs./Unit)	Replacement cost (Rs. /Unit)
A	1,000	Nil	Nil	Nil	60
B	1,000	600	20	25	50
C	1,000	700	30	25	40
D	200	200	40	60	90

(i) Material B is used regularly by X Ltd., and if stocks are required for this staff they may be need to be replaced to meet other production demand

(ii) Material C & D are in stock as the result of the previous excess purchase and they have restricted use. No other use could be found for material C. But material D could be used in another job as substitute for 300 units of material B,which is currently cost Rs.50 per unit(of which the company has no units in stock at the moment)

What are the relevant cost of material in deciding whether to accept (or)not to accept the job? All other expenses on this job are to be specially incurred. The relevant cost of other material is Rs.5,500.

PART-C

Answer any TWO questions. **(2 x 20 = 40)**

19. The following particulars are obtained from costing records of a factory:

	Product A (per unit) Rs.	Product B (per unit) Rs.
Selling price	200	500
Material (Rs. 20 per kg.)	40	160
Labour (Rs. 10 per hour)	50	100
Variable overhead	20	40

Total fixed overheads Rs. 15,000

Comment on the profitability of each product when:

(a) Raw material is in short supply; (b) Production capacity is limited; (c) Sales quantity is limited; (d) Sales value is limited; (e) Only 1,000 kgs. of raw material is available for both type of products in total and maximum sales quantity of each product is 300 units.

20. A gang of workers normally consists of 30 men, 15 women and 10 boys. They are paid at standard hourly rates as under :

Men Rs.0.80

Women Rs.0.60

Boys Rs.0.40

In a normal working week of 40 hours, the gang is expected to produce 2,000 units of output. During the week ended 30th September 2009, the gang consisted of 40 men, 10 women and 5 boys. The actual wages paid were Rs.0.70, Re. 0.65 and Re.0.30 respectively. 4 hours were lost due to abnormal idle time and 1,600 units were produced.

Calculate (i) wage variance, (ii) wage rate variance, (iii) labour efficiency variance, (iv) labour idle time variance and (v) gang composition variance (i.e. labour mix variance).

21. Following are the comparative balance sheets of Cheran Company Ltd.

Liabilities	31-12-93 Rs.	31-12-94 Rs.	Assets	31-12-93 Rs.	31-12-94 Rs.
Share capital	70,000	74,000	Bank Balance	9,000	-
Debentures	12,000	6,000	Accounts received	14,900	17,700
Accounts payable	10,360	11,840	Stock in trade	49,200	42,700
Provision for doubtful debts	700	800	Buildings	20,000	40,600
P & L A/c	10,040	10,560	Goodwill	10,000	5,000
Bank overdraft	-	2,800			
	1,03,100	1,06,000		1.03,100	1,06,000

Additional Information:
(a) Buildings were acquired for Rs. 20,600
(b) Amount provided for amortisation of goodwill totalled Rs. 5,000.
(c) Dividends paid totalled Rs. 3,500.
(d) Debenture loan repaid was Rs. 6,000.

Explain how the overdraft of Rs. 2,800 as on 31st Dec. 1994 has arisen and prepare Cash Flow Statement as per AS-3.

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