LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECOND SEMESTER – **APRIL 2016**

CO 2810 / CO 2814 - ACCOUNTING FOR DECISION MAKING

Date: 16-04-2016 Dept. No. Max. : 100 Marks
Time: 01:00-04:00

PART-A

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

1. Explain the term ABC
2. State the common characteristic of relevant cost
3. Discuss the features of Break – Even Point.
4. Discuss the types of standards in variance analysis
5. What is Fund flow statement?
6. Write a note on Comparative statements
7. Current ratio 2.5, working capital-Rs. 63,000, calculate current asset and current liability.
8. From the following particulars calculate the fixed cost

Capacity	60%	100%
Units produced	600 units	1000 units
Power and fuel	Rs.1,600	Rs.2,000

9. Calculate the EPS from the following data, Net profit before tax Rs.50, 000, ax rate 50 %, 10% preference share capital (Rs.10 each) Rs.50,000 and 5,000 equity shares Rs.10 each.
10. The standard time and rate for unit component are given below: Standard hours 20. Standard rate Rs.5 per hour. Actual data and related information are as under :Actual production 1000 units: Actual hours 20,500 hours Actual rate per hour = Rs.4.80. Calculate (i) Labour cost variance (ii) Labour efficiency variances.

PART – B

Answer any Four questions. **(4 x 10 = 40 Marks)**

11. Discuss the different stages and all levels of ABC in detail.
12. Discuss the objectives and methods of Transfer Pricing by going through the advantages and disadvantages in detail.
13. From the following details, calculate funds from operations:

	Rs.		Rs.
Salaries	10,000	Discount on issue of debentures	1,000
Rent	2,000	Provision for bad debts	2,000
Refund of tax	10,000	Transfer to general reserve	4,000
Profit on sale of building	1,000	Preliminary expenses written off	5,000
Depreciation on plant	7,000	Goodwill written off	4,000
Provision for tax	5,000	Proposed dividend	5,000
Loss on sale of plant	3,000	Dividend received	2,000
Closing balance of Profit & Loss a/c	40,000	Opening balance of Profit & Loss a/c	15,000

14. A machine which originally cost Rs.1,20,000, has an estimated life of 10 years and is depreciated at the rate of Rs.12,000 per year. It has been unused for some time as expected production orders did not materialize. A special order has now been received which would require the use of the machine for two months. The current cost of the realisable value of the machine is Rs.80,000. It is used for the job, its value is expected to fall to Rs.75,000 The net book value of the machine is Rs.84,000 Routine maintenance of the machine currently costs Rs.400 per month. With use, the cost of maintenance and repairs would increase to Rs.600 per month. What would be the relevant cost of using the machine for the order so that the minimum price for the order can be ascertained?

15. Draw a Material Procurement Budget (Quantitative) from the following information : Estimated Sales of a product 40,000 units. Each unit of the product requires 3 units of material A and 5 units of material B. Estimated opening balances at the commencement of the next year :

Finished product	5,000 units
Material A	12,000 units
Material B	20,000 units

Materials on Order :

Material A	7,000 units
Material B	11,000 units

The desirable closing balances at the end of the next year :

Finished product	7,000 units
Material A	15,000 units
Material B	25,000 units

Material on Order :

Material A	8,000 units
Material B	10,000 units

16. The labour budget of a company for a week is as under.

20 Skilled men are at Rs.5 per hour for 40 hours.

40 Unskilled men are at Rs.3 per hour for 40 hours.

The actual employment was as under:

30 Skilled men are at Rs.5 per hour for 40 hours.

30 Unskilled men are at Rs.4 per hour for 40hours.

Calculate labour variances.

17. 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 recommend to the management?

PART – C

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

18. The following are the summarized Balance Sheets of Alacrity & Co. as on 31st December 2014 and 2015.

Balance Sheets

Liabilities	2014 Rs.	2015 Rs.	Assets	2014 Rs.	1988 Rs.
Share capital	2,00,000	2,50,000	Land & Buildings	2,00,000	1,90,000
General reserve	50,000	60,000	Machinery	1,50,000	1,69,000
Profit & Loss A/c	30,500	30,600	Stock	1,00,000	74,000
Bank loan (long - term)			Debtors	80,000	64,200
Sundry creditors	70,000	-	Cash	500	600
Provision for taxation	1,50,000	1,35,200	Bank	-	8,000
	30,000	35,000	Goodwill	-	5,000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information:

(a) Dividend of Rs.23,000 was paid

(b) Assets of another company were purchased for a consideration of Rs.50,000Payable in shares Stock - Rs.20,000, Machinery Rs.25,000 (c) Machinery was further purchased for Rs.8,000.

(d) Depreciation written off on machinery Rs.12,000.

(e) Income tax provided during the year Rs. 33,000.

(f) Loss on sale of machinery Rs.200 was written off to general reserve.

You are required to prepare the cash flow statements.

19. The management of a company considers that product Y, one of its three main lines, is not as profitable as the other two with the result that no particular efforts are being made to push its sales. The selling prices and costs of the three products are :

Product	Selling price	Direct material	Direct Labour Dept. A	Direct Labour Dept. B	Direct Labour Dept. C
	Rs.	Rs.	Rs.	Rs.	Rs.
X	68	10	8	2	2
Y	58	6	2	8	2
Z	64	8	2	2	8

Overhead rates for each department per rupee of direct labour are as follows :

	Dept. A	Dept. B	Dept. C
	Rs.	Rs.	Rs.
Variable overhead	1.20	0.40	1.00
Fixed overhead	1.20	2.00	1.40
Total	2.40	2.40	2.40

What advice would you give to the management about the profitability of product? Give reasons.

20. With the help of the following ratios regarding Hindu films draw the Balance Sheet of the Company for the year 1999.

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs. 3,00,000
Stock turnover ratio (cost sales/closing stock)	6 times
Gross profit ratio	20%
Debt collection period	2 Months
Fixed assets turnover ratio (on cost of sales)	2 times
Fixed assets to shareholders net worth	0.8 times
Reserve and Surplus to Capital	0.50

21. Calculate all variances from the following particulars.

Material	Standard Qty. kg.	Standard Price Rs.	Standard Total Rs.	Actual Qty. kg.	Actual Price Rs.	Actual Total Rs.
A	500	6.00	3,000	400	6.00	2,400
B	400	3.75	1,500	500	3.60	1,800
C	300	3.00	900	400	2.80	1,120
	1200			1300		
Less 10% Normal Loss	120			220		
	1080		5,400	1,080		5,320

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