LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – **APRIL 2018**

CO 1815– ACCOUNTING FOR DECISION MAKING

Date: 30-04-2018 Dept. No. Max. : 100 Marks
Time: 09:00-12:00

PART-A

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

1. What is Cash flow statement?
2. What do you understand by Contribution?
3. Explain the term ABC.
4. State the common characteristic of relevant cost.
5. State the limitation of Ratio Analysis.
6. Give any two differences between Budgetary Control and Standard Costing.
7. Factory produces 2 units of a commodity in one standard hour. Actual production during a year is 17,000 units and the budgeted production for the year is fixed at 20,000 units. Actual hours operated are 8,000 hrs.Calculate efficiency and activity ratios.
8. Calculate BEP from the following details.

Year	Sales Rs.	Profit	Loss
2006	2,40,000	-	20,000
2007	3,20,000	40,000	-

9. Calculate the EPS from the following data, Net profit before tax Rs.50, 000, Tax rate 50%, 10% preference share capital (Rs.10 each) Rs.50,000 and 5,000 equity shares Rs.10 each.
10. Calculate material cost variance from the following date.

Particulars	Standard	Actual
Quantity	400 kgs	460 kgs
Value	Rs.800	Rs.690

PART-B

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

11. Discuss the Relevant Costing in detail.
12. What do you understand by Ratio Analysis? Examine its significance and utility.

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. From the following particulars pertaining to assets and liabilities of a company. Calculate (1) Current ratio (2) Liquid ratio (3) Proprietary ratio (4) Debt-Equity ratio (5) Capital Gearing ratio.

Liabilities	Rs.	Assets	Rs.
5,000 Equity shares of Rs. 100 each	5,00,000	Land and Building	6,00,000
2,000 8% Preference shares of Rs. 100 each	2,00,000	Plant and Machinery	5,00,000
		Stock	2,40,000
4,000 9% Debentures of Rs. 100 each	4,00,000	Debtors	2,00,000
		Cash and bank	55,000
Reserves	3,00,000	Pre-paid expenses	5,000
Creditors	1,50,000		
Bank overdraft	50,000		
	16,00,000		16,00,000

15. Raja Ltd. manufactures and sells 4 types of products under the brand name A, B, C & D.

The sales mix in value comprises 33 1/3%, 41 2/3%,16 2/3% and 8 1/3% of A, B, C & D respectively. The total budget sales (100%) are Rs. 60,000 p.m. Operating costs are:

Product A 60% of selling price

Product B 68% of selling price

Product C 80% of selling price

Product D 40% of selling price

Fixed costs Rs. 14,700 p.m.

(a) Calculate the B.E.P for the products on an overall basis.

(b) It has been proposed to change the sales mix as follows:

Total sales per month remaining Rs. 60,000

Product A 25% Product C 30%

Product B 40% Product D 5%

Assume that the proposal is implemented, calculate the Break-Even Point.

16. From the following particulars Calculate cost per unit under ABC Analysis.

Product	Machine hrs/unit	Dir. lab hrs/unit	Annual output(Uts)	Total Mach.hrs	Total dir.labhr	No. of Purchase orders	No.of set ups
Prod. A	2	4	1,000	2,000	4,000	80	40
Prod. B	2	4	10,000	20,000	40,000	160	60
				22,000	44,000	240	100

The cost of activities as follows:

Volume related Rs.1,10,000, Purchase relatedRs.1,20,000, Setup related Rs.2,10,000

17. A company is organized in two divisions namely A and B division A produces three products K, L, and M. Their data per unit are as follows.

Particulars	K	L	M
	Rs	Rs	Rs
Market price	120	115	100
Variable cost	84	60	70
Direct Labour cost	4	5	3
Maximum sales potential (Units)	1600	1000	600

Division B had a demand for 600 units of product L. for its use. If division A can't supply product from market at Rs. 112 per unit what should be the transfer price of 600 units of L for division B, if the total direct labour hours available in division A are restricted to 15,000?

PART-C

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

18. The following are the summarised Balance Sheets of Alacrity & Co. as on 31st December 2008 and 2009.

Balance Sheets

Liabilities	2008 (Rs.)	2009 (Rs.)	Assets	2008 (Rs.)	2009 (Rs.)
Share capital	2,0 0,000	2,50,000	Land &	2,00,000	1,90,000
General reserve	50,000	60,000	Buildings	1,50,000	1,69,000
P & L A/c	30,500	30,600	Machinery	1,00,000	74,000
Bank loan			Stock	80,000	64,200
(long-term)	70,000	-	Debtors	500	600
Sundry creditors	1,50,000	1,35,200	Cash	-	8,000
Provision for			Bank	-	5,000
taxation	30.000	35,000	Goodwill		
	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. 50,000 payable in shares. The following assets purchased Stock – Rs. 20,000. Machinery Rs. 25,000.

(c) Machinery was further purchased for Rs. 8,000.

(d) Depreciation written off on machinery Rs. 8,000.

(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 statement. Working notes form part of your answer.

19. You are given the following information pertaining to the financial statements of XYZ Ltd., as on 31st December, 1999.

On the basis of the information supplied, you are required to prepare the Trading and Profit and Loss Account for the year ended and a Balance Sheet as on that date.

Net current assets	Rs.2,00,000
Issued share capital	6,00,000
Current ratio	1.8
Quick ratio (Ratio of Debtors and Bank balance to Current liabilities)	1.35
Fixed assets to shareholders' equity	80%
Ratio of gross profit on turnover	25%
Net profit to Issued share capital	20%
Stock turnover ratio (Cost of goods sold / Closing stock	5 times
Average age of outstanding for the year	36 ½ days

On 31st December, 1999, the current assets consisted only of Stock, Debtors and Bank balance. Liabilities consisted of Share Capital and Current liabilities and assets consists of Fixed assets and Current assets.

20. The standard cost of a certain chemical mixture is

40% Material A at Rs.25 per kg.

60% Material B at Rs.36 per kg.

A standard loss of 10% is expected in production.

During a period, the actual usage and prices were :

150 kgs of Material A at Rs.27 per kg.

260 kgs of Material B at Rs.34 per kg.

The actual output was 360 kgs.

Compute all material variances.

21.A company for which you are the cost accountant, manufacturers foods in three separate factories. The projected figures for the next year are as follows:

	Trichy	**Madurai**	**Salem**
	Rs.	**Rs.**	**Rs.**
Sales	44,00,000	40,00,000	70,00,000
Branch expenses :			
Salaries	4,20,000	3,80,000	6,20,000
Advertising	80,000	1,50,000	1,00,000
Others	1,00,000	80,000	1,10,000

There is a Central office in Madras which estimated to cost Rs. 15,40,000 and this is to apportioned to the three factories on the basis of the sales figures. Variable costs amount to 75% of sales of each factory. You are required to prepare a comparative profit and loss a/c for the next year and advise whether the Madurai factory should be closed if that would save all the Madurai branch expenses and reduce the Central office expenses from Rs. 15,40,000 to Rs. 12,40,000.

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