# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.Com.** DEGREE EXAMINATION - **COMMERCE**

SECOND SEMESTER – **NOVEMBER 2013**

**CO 2814/1815 - ACCOUNTING FOR DECISION MAKING**

Date : 13/11/2013 Dept. No. Max. : 100 Marks
Time : 1:00 - 4:00

**PART-A**

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

1. Write any four uses of Fund flow statement.
2. Give the examples of Financing Activities.
3. Explain the term Relevant Costing.
4. Mention the features of Marginal Costing
5. What are the advantages of ABC?
6. 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 calculate efficiency and activity ratios.
7. You are required to calculate Break Even Volume from the following data:
   Profit Rs. 10,000 (25% of sales) P.V. ratio is 50%.
8. Calculate the EPS from the following data, Net profit before tax Rs.1,00,000,Tax @50 %, 10% preference share capital (Rs.10 each) Rs.1,00,000 and 10,000 equity shares Rs.10 each.
9. Product X requires 20 kgs. of material at Rs.4per kg. The actual consumption of material for the manufacturing of product X came to 24 Kgs. of material at Rs.4.50 per kg. Calculate
   (i) Material Price Variance (ii) Material Usage Variance.
10. What are the uses of Ratio Analysis?

**PART-B**

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

11. Briefly discuss the steps in the installation of a system of budgetary control.
12. Discuss the different stages and all levels of ABC in detail.
13. 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 6,000 units and assume that administration expenses are fixed for all levels of production.

14. There are two plants manufacturing the same product under one corporate management which decides to merge them. Following particulars are available :

| Capacity operation | Plant I | Plant II |
|---|---|---|
| | 100% | 60% |
| Sales | Rs. 6,00,000 | 2,40,000 |
| Variable costs | Rs. 4,40,000 | 1,80,000 |
| Fixed costs | Rs. 70,000 | 34,000 |

For the consideration of the Board of Directors, Calculate.

(a) What would be the capacity of the merged plant to be operated for the purpose of break-even.

(b) What would be the profitability on working at 75 percent of the merged capacity.

15. From the following prepare a Fund Flow Statement 2013.

**Balance Sheets of Sree Ganesh Ltd., as on 31st December**

| **Liabilities** | **2012 (Rs.)** | **2013 (Rs.)** | **Assets** | **1998((Rs.)** | **1999(Rs.)** |
|---|---|---|---|---|---|
| Share capital | 6,00,000 | 6,00,000 | Fixed Assets | 10,00,000 | 11,20,000 |
| Reserves | 50,000 | 1,80,000 | Less : Depreciation | 3,70,000 | 4,60,000 |
| Profit and Loss account | 40,000 | 65,000 | | 6,30,000 | 6,60,000 |
| Debentures | 3,00,000 | 2,50,000 | Stock | 2,40,000 | 3,70,000 |
| Creditors for goods | 1,70,000 | 1,60,000 | Book debts | 2,50,000 | 2,30,000 |
| Provision for Income tax | 60,000 | 80,000 | Cash in hand and at Bank | 80,000 | 60,000 |
| | | | Preliminary Expenses | 20,000 | 15,000 |
| | 12,20,000 | 13,35,000 | | 12,20,000 | 13,35,000 |

16. Division A for a manufacturing company has set target sales of 4,00,000 units of a product at a price fetch a return of 25% on the assets employed. The following data are available.

Fixed costs Rs 8,00,000 Variable costs Rs 1 per unit

Assets employed: Fixed assets Rs.8,00,000 Current assets Rs.16,00,000

The market can however absorb only 2.80,000 units. Consequently, division B is advised to buy 1,20,000 units. Division A willing to supply this quantity to division B, however want it at Rs 2.25 per unit. If A refuses to supply its requirement of 1,20,000 units at Rs.2,25 per unit and Restricted, its activity to 2,80,000 units of market sale, it could reduce the investment in stock to the tune of rs.160000 and he fixed assets by Rs 2,40,000. Besides it selling expenses will also go down by Rs.80,000.

You are required to prepare statement and advise whether A should agree to supply B' requirement at 1,20,000 units at Rs.2.25 per unit using Transfer Pricing method.

17. From the following data, calculate labour variances. Standard time p.u. 2.5 hours; Actual hours 2,000; Standard wage rate Rs.2 per hour ; Actual output 1000 units. Actual wages Rs.4,500 20% of the actual time has been lost due to machinery break down

## PART-C

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

18. The following are the Balance Sheets of Alacrity & Co. as on 31st December 1987 and 1988.

| Liabilities | 1987 (Rs.) | 1988 (Rs.) | Assets | 1987 (Rs.) | 1988 (Rs.) |
|---|---|---|---|---|---|
| Share capital | 2,50,000 | 2,50,000 | Land & Buildings | 2,00,000 | 1,90,000 |
| General reserve | 50,000 | 60,000 | Machinery | 1,50,000 | 1,69,000 |
| P & L A/c | 30,500 | 30,600 | Stock | 1,00,000 | 74,000 |
| Bank loan (long-term) | 70,000 | - | Debtors | 80,000 | 64,200 |
| Sundry creditors | 1,50,000 | 1,35,200 | Cash | 500 | 600 |
| Provision for taxation | 30.000 | 35,000 | Bank | - | 8,000 |
| | | | Goodwill | - | 5,000 |
| | 5,30,500 | 5,10,800 | | 5,30,500 | 5,10,800 |

Additional Information :(i)Dividend of Rs. 23,000 was paid.(ii)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.(iii)Machinery was further purchased for Rs. 8,000.(iv)Depreciation written off on machinery Rs. 8,000.(v)Income tax provided during the year Rs. 33,000.(vi)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. 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 |

20. From the following particulars find out the profitable product mix and prepare a statement of profitability.

| | Product A | Product B | Product C |
|---|---|---|---|
| Units produced and sold | 1,500 | 2,000 | 1,000 |
| Selling price per unit | Rs. 60 | Rs. 55 | Rs. 50 |
| Requirement per unit: | | | |
| Direct material | 5 kgs | 3 kgs | 4 kgs |
| Direct labour | 4 hours | 3 hours | 2 hours |
| Variable overhead | Rs. 9 | Rs. 14 | Rs. 6 |
| Fixed overhead | Rs. 5 | Rs. 5 | Rs. 5 |
| Cost of direct material per kg | Rs. 4 | Rs. 4 | Rs. 4 |
| Direct wages per hour | Rs. 2 | Rs. 2 | Rs. 2 |
| Total availability of direct material | | 12,000 kgs | |
| Total availability of direct labour hours | | 10,000 hours | |

At the products A, B and Care produced from the same direct material using the same type of machines.  Consider both material and labour as key factors.

21. 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.