LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER - APRIL 2023

PCO1MC04 – ACCOUNTING FOR DECISION MAKING

Time: 09:00 AM - 12:00 NOON

SECTION A Answer ALL the questions Answer the following Questions / True or False/ Fill in the blanks/ MCQ $(5 \times 1) = 5)$ 1 ABC is better than the traditional Costing method while charging the overhead K1 CO1 a) expenses to the cost of a product. T/F Fixed Costs remain constant in the long run. T/F CO1 K1 **b**) Direct Material Variance is used when more than one material is used K1 CO1 c) The transfer pricing provisions are intended to ensure that -A) Profits are not understated B) Expenses are not understated d) K1 CO1 C) Both A and C D) Losses are not overstated The statement of cash flow clarifies cash flows according to A) Operating and Non-operating Flows. B) Inflow and Outflow. C) Investing and e) K1 CO1 Non-operating Flows. D) Operating, Investing, and Financing Activities Match the following with the most appropriate answer. 2 $(5 \times 1 = 5)$ Standard Costing - Comparative Statement K2 CO1 a) Capital Budgeting - Variable Cost K2 b) CO1 Marginal Cost - Both fixed and Variable Cost K2 CO1 c) Relevant Cost - Predetermined Cost. K2 CO1 d) Ratio Analysis - Long-Term Investment K2 CO1 e) **SECTION B** Answer any THREE of the following $(3 \times 10 = 30)$ a) Explain the significance of Capital Budgeting 3 K3 CO₂ b) Discuss Capital Budgeting Process. 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 Μ Κ L Rs Rs Rs Market price 115 100 120 Variable cost 70 84 60 Direct Labour cost 4 5 3 CO₂ 4 K3 1600 1000 600 Maximum sales potential (Units) 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. 112per 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?

Max.: 100 Marks

Date: 04-05-2023

Dept. No.



5	Calculate all		Standard	81	articulars	Actual		K3	CO2
	Material	Qty.	Price	Total	Qty.	Price	Total	1	
	material	Kg.	Rs.	Rs.	kg.	Rs.	Rs.		
-	А	500	6.00	3,000	400	6.00	2,400	_	
	В	400	3.75	1,500	500	3.60	1,800		
	С	300	3.00	900	400	2.80	1,120		
	-	1200			1300				
	Less 10%								
	Normal Los	<u>s 120</u>		-	220				
		1080	5,400		1,080		5,320		
	1 2		•			anufacturers fo			
	separate fact			-		year are as fol			
		Т	richy		adurai		lem		
			Rs.	Rs.		Rs.			
	Sales	,	00,000	40,00,0	000	70,00,00	0		
	Branch expe								
	Salarie		20,000	3,80,00		6,20,000			
6	Advert	-	0,000	1,50,00		1,00,000)	K3	CO
	Others		0,000	80,00		1,10,000			
							5,40,000 and this		
						-	res. Variable costs		
	amount to 7.	5% of sale		•	-		e a comparative		
	profit and lo						ai factory should		
	profit and lo be closed if	that would	l save all th	e Madurai	branch e	xpenses and re	ai factory should educe the Central		
	profit and lo	that would	l save all th	e Madurai	branch e	xpenses and re			
	profit and lo be closed if office expen	that would ses from F	l save all th Rs. 15,40,00	e Madurai)0 to Rs. 1	branch e 2,40,000.	xpenses and re			
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	profit and lo be closed if office expen From the giv 2022. Fixed assets	that would ses from F ven particu (Net) Rs.	l save all th Rs. 15,40,00 Ilars, constr 10,50,000.	e Madurai 00 to Rs. 1 ruct the Ba Fixed asse	branch e 2,40,000. lance She ets turnov	xpenses and re eet of Y Ltd as	educe the Central		
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	Loss on sale of assets									
	To Net profit	5,000			20,000					
		1,50,000								
		2,20,000			2,20,00	0				
		ce Sheet on	a 31 st March 2000							
	Liabilities	Amount	Assets		Amount					
	Issued capital:		Land and Bui	-	2,00,000					
	2,000 Equity shares of		Plant and Ma	chinery	1,25,000					
	Rs.100 each	2,00,000	Stock		1,00,000					
	Reserves	90,000	Debtors		1,40,000					
	10% Debenture	1,00,000	Cash and Ban		30,000					
	Current Liabilities	1,50,000	Prepaid exper	nses	5,000					
	Profit and Loss a/c.	60,000								
		5,00,000			5,00,000					
		-	io (2) Operating rat							
	ratio (4) Net profit ra									
Ì	on total resources (8)			irnover to	total asse	ets. 10)				
\rightarrow	10) Current Ratio 11	····		1	1 4h 2 ro	- ining				
	A company has a machine		-	-		-				
	estimated life is 10 years wi	e	-							
1	The management is conside	ering a prop	osal to replace its ma	The management is considering a proposal to replace its machine with a new machine.						
	The relevant particulars are as follows.									
	The relevant particulars are	e as follows.								
]				
	Particulars		Existing Machine	New M	lachine					
	Particulars Purchase Price				lachine					
10	Particulars Purchase Price Estimated Life		ExistingMachine2,40,000	New M 4,00,00	lachine		K4	CO3		
10	Particulars Purchase Price Estimated Life Annual Operating	g Hours	ExistingMachine2,40,00012 Years	New M 4,00,00 10 Yea	lachine		K4	CO3		
10	Particulars Purchase Price Estimated Life Annual Operating Selling Price Per	g Hours Unit	Existing Machine 2,40,000	New M 4,00,00 10 Yea 2,000	lachine 10 rs		K4	CO3		
10	Particulars Purchase Price Estimated Life Annual Operating	g Hours Unit	Existing Machine 2,40,000	New M 4,00,00 10 Yea 2,000 10	lachine 10 rs		K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per Hour	g Hours Unit t	Existing Machine 2,40,000 12 12 Years 2,000 10 15 Units	New M 4,00,00 10 Yea 2,000 10 30 Unit	lachine 10 rs		K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UninLabour Per Hour	g Hours Unit	Existing Machine 2,40,000 12 12 Years 2,000 10 10 15 15 Units Rs 2 20 10	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2	lachine 10 rs		K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UnitLabour Per HourOther Expenses	g Hours Unit	Existing Machine 2,40,000	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40	lachine 10 rs		K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UninLabour Per Hour	g Hours Unit t	ExistingMachine2,40,00012 Years2,0001015 UnitsRs 22011,00025,000	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000	lachine 00 rs ts		K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UnitLabour Per HourOther ExpensesWorking Capital	g Hours Unit t	ExistingMachine2,40,00012 Years2,0001015 UnitsRs 22011,00025,000	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000	lachine 00 rs ts		K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UninLabour Per HourOther ExpensesWorking CapitalTax rate is 40% and COC i	g Hours Unit t s 15%. Loss	Existing Machine 2,40,000 12 12 Years 2,000 10 10 15 15 Units Rs 2 20 11,000 25,000 s on sale of asset is tag	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct	fachine 00 rs ts	uld the	K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UnitLabour Per HourOther ExpensesWorking CapitalTax rate is 40% and COC imachine be replaced?	g Hours Unit t s 15%. Loss alculate 1, L	Existing Machine 2,40,000 12 12 Years 2,000 10 15 Units Rs 2 20 11,000 25,000 s on sale of asset is tag	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v	Iachine 00 rs ts ts tible. Show	uld the	K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UnitLabour Per HourOther ExpensesWorking CapitalTax rate is 40% and COC imachine be replaced?From the following data, caEfficiency variance 4. Mix	g Hours Unit t s 15%. Loss alculate 1, L	Existing Machine 2,40,000 12 12 Years 2,000 10 10 15 15 Units Rs 2 20 11,000 25,000 s on sale of asset is tage Labour cost variance Labour sub - efficient	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v	Iachine 00 rs ts ts tible. Show	uld the	K4	CO3		
10	ParticularsPurchase PriceEstimated LifeAnnual OperatingSelling Price PerOutput Per HourMaterial Per UnitLabour Per HourOther ExpensesWorking CapitalTax rate is 40% and COC imachine be replaced?From the following data, caEfficiency variance 4. Mix	g Hours Unit t s 15%. Loss alculate 1, L variance 5. Standard	Existing Machine 2,40,000 12 12 Years 2,000 10 10 15 15 Units Rs 2 20 11,000 25,000 s on sale of asset is tage Labour cost variance Labour sub - efficient	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v ncy varia	Iachine 00 rs ts ts tible. Show	uld the	K4	CO3		
	Particulars Purchase Price Estimated Life Annual Operating Selling Price Per Output Per Hour Material Per Unit Labour Per Hour Other Expenses Working Capital Tax rate is 40% and COC i machine be replaced? From the following data, ca Efficiency variance 4. Mix Selficiency	g Hours Unit t ts 15%. Loss alculate 1, L variance 5. Standard ts Rate	ExistingMachine2,40,00012 Years2,0001015 UnitsRs 22011,00025,000s on sale of asset is tabour cost varianceLabour cost varianceLabour sub - efficieAcHours	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v ncy varia ctual Rate	ts tible. Sho ariance 3. nce.	uld the				
10	Particulars Purchase Price Estimated Life Annual Operating Selling Price Per Output Per Hour Material Per Unit Labour Per Hour Other Expenses Working Capital Tax rate is 40% and COC i machine be replaced? From the following data, ca Efficiency variance 4. Mix Skilled labour 10	g Hours Unit t s 15%. Loss alculate 1, L variance 5. Standard rs Rate 3.00	Existing Machine 2,40,000 12 12 Years 2,000 10 15 Units Rs 2 20 11,000 25,000 s on sale of asset is tage 20 Labour cost variance Labour sub - efficie Action Hours 9,000 10	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v ncy varia ctual Rate 4.00	Iachine 00 rs ts ts tible. Show ariance 3. nce.	uld the	K4 K4			
	Particulars Purchase Price Estimated Life Annual Operating Selling Price Per Output Per Hour Material Per Unit Labour Per Hour Other Expenses Working Capital Tax rate is 40% and COC i machine be replaced? From the following data, ca Efficiency variance 4. Mix Skilled labour 10 Semi - skilled 8	g Hours Unit t s 15%. Loss alculate 1, L variance 5. Standard 's Rate 3.00 1.50	Existing Machine 2,40,000 12 12 Years 2,000 10 15 Units Rs 2 20 11,000 25,000 s on sale of asset is ta abour cost variance Labour sub - efficient Action of the section of t	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v ncy varia ctual Rate 4.00 1.50	Iachine 10 rs is ts tible. Show ariance 3 nce. 0 0 0	uld the		CO3		
	Particulars Purchase Price Estimated Life Annual Operating Selling Price Per Output Per Hour Material Per Unit Labour Per Hour Other Expenses Working Capital Tax rate is 40% and COC i machine be replaced? From the following data, ca Efficiency variance 4. Mix Skilled labour 10	g Hours Unit t ts 15%. Loss alculate 1, L variance 5. Standard ts Rate 3.00 1.50 1.00	Existing Machine 2,40,000 12 12 Years 2,000 10 15 Units Rs 2 20 11,000 25,000 s on sale of asset is tage Labour cost variance Labour sub - efficie Action 9,000 9,000 20,000	New M 4,00,00 10 Yea 2,000 10 30 Unit Rs 2 40 11,000 40,000 ax deduct 2. Rate v ncy varia ctual Rate 4.00	Iachine 10 rs is ts tible. Show ariance 3 nce. 0 0 0	uld the				

	Answer any ONE o	f the follow	ing		$(1 \times 15 = 15)$		
r	The following information provi particular period in respect of XY				drivers for a		
	Particulars	Product X	Product Y	Product Z	Total		
	Production and sales (units)	30,000	20,000	8,000			
	Raw material usage (units)	5	5	11			
	Direct material cost (Rs.)	25	20	11	12,38,000		
	Direct labour hours	1-1/3	2	1	88,000		
	Machine hours	1-1/3	1	2	76,000		
	Direct labour cost	8	12	6			
	Number of production run	3	7	20	30		
	Number of deliveries	9	3	20	32		
	Number of receipts	15	35	220	270		
	Number of production orders	15	10	25	50		
	OVERHEAD COSTS				Rs.		
	Set ups				30,000		
	Machine				7,60,000		
	Receiving				4,35,000	K5	CC
	Packing				2,50,000		
	Engineering				3,73,000		
	Total of overhead costs				18,48,000		
l t r r H	In the past, the company has alloc abour hours. However, the major than direct labour hours. The com recovering overheads using two v materials handling overhead rate of Both the current and the previous X, which is the company's highes	ity of overhe pany has recolumes related of recovering cost systems	eads are rela cently redesi ed based (a) g overheads s reported lo	ted to machi gned its cost Machine ho of the receiv w-profit mat	ne hours rather s system by ours and (b) ring departments. rgins for product		

From the above information, you are required to

- A) Old product costing system: Compute the costs of the product using a traditional volume-related costing system based on the assumption that all overheads are recovered on the basis of direct labour hours.
- B) New product costing system: The overheads of the receiving department are recovered by materials handling overhead rate and the remaining overheads are recovered using a machine hour rate.
- C) ABC method.

based costing.

					1 2 2			
	The following par	ticulars are o		0	•			
				roduct A	Product B			
			(Pe	er unit)	(Per unit)			
				Rs.	Rs.			
	Selling pr	ice		200	500			
	• •	Rs. 20 per k		40	160			
		Rs. 10. per h	0	50	100			
	Variable o		Jul)	20	40			
13		ed overheads	P ₆ 15 000	20	-10		K5	CO4
			,	mus du st urb s				
	Comment on t	-	v	L	n :			
		naterial is in						
		ction capacity						
		quantity is lii						
		value is limit						
	Only 1,000 kgs. of ra				of products in to	tal and the		
	maximum sales quar	ntity of each	product is 30	00 units.				
			SI	ECTION E				
						(4		
	Answer any O		<u> </u>	1 4 6 4 1		$(1 \times 20 = 20)$	1	
•	-	e summarise	d Balance S	heets of Alacr	ity & Co. as on 3	31 st March		
	2021 and 2022							
	Balance Sheets			1.			<u> </u>	
	Liabilities			Assets				
			-					
	Share capital				2,00,000	1,90,000		
	General	50,000	60,000	Buildings				
	reserve			Machinery	1,50,000	1,69,000		
	P & L A/c	30,500	30,600	Stock	1,00,000	74,000		
	Bank loan			Debtors	80,000	64,200		
	(long-term)	es 2021 2022 Assets 2021 2022 Rs. Rs. Rs. Rs. Rs. Rs. pital 2,00,000 2,50,000 Land & 2,00,000 1,90,000 50,000 60,000 Buildings Machinery 1,50,000 1,69,000 /c 30,500 30,600 Stock 1,00,000 74,000 in Debtors 80,000 64,200 64,200						
	Sundry	1,50,000	1,35,200	Bank	-	8,000		
	creditors	, ,		Goodwill	-	5,000		
	Provision for	30.000	35,000			,		
	taxation	20.000	22,000					
		5,30,500	5,10,800		5,30,500	5,10,800		
		-,,	-,,		- , ,	-,,		
14	Additional Informat	ion:			1	1	K6	CO5
14	a. Dividend of R	s. 23,000 wa	s paid				KU	05
	b. Assets of anot	her company	were purch	ased for a con	sideration of Rs	. 50,000		
	payable in sha	res. The foll	owing assets	purchased St	ock – Rs. 20,000). Machinery	Rs.	
	25,000.		C	•		•		
	c. Machinery wa	s further pur	chased for F	Rs. 8,000.				
	d. Depreciation v	-						
	e. Income tax pro		-					
	-				general reserve.			
		i macminery	115. 200 was		50110101 10501 10.			
	You are required to p	repare the ca	ash flow stat	ement.as per A	AS-3 Working no	otes form		
	part of your answer.			_	-			
]	

The following are the summarised balance sheet of ABC Ltd. as on 31st March 2018 and 2019.							
Liabilities	2018	2019 (Rs.)	Assets	2018	2019		
	(Rs.)	7 00 000		(Rs.)	(Rs.)		
Share Capital	5,00,000	5,00,000	Land & building	2,00,000	2,50,000		
			Plant &	3,50,000	3,60,000		
Profit & Loss	1,50,000	2,52,000	Machine ry				
Debentures	2,00,000	2,00,000	Sundry debtors	1,47,000	1,38,000		
Sundry creditors	1,20,000	1,05,000	Stock	2,50,000	2,74,000		
Provision for doubtful debts	5,000	4,000	Bank	83,000	1,01,000		
Provision For			Prelimin	5,000	4,000	W.C	
Depreciation			ary			K6	
Land & building			expenses				
Plant & machinery	30,000	34,000					
	30,000	32,000		10.25.000	11 25 000		
	10,35,000	11,27,000		10,35,000	11,27,000		
The following additi a) The net profit				as Rs 1 52 0	00 and is		
a) The net profit for the year ending 31 st March 2019 was Rs. 1,52,000 and is arrived at after charging loss on sale of machinery, writing off preliminary							
expenses and adjusting provision for doubtful debts.							
b) During the year, part of the machinery costing Rs.7,000, accumulated							
depreciation thereon being Rs. 1,000 was sold for Rs. 5,000.							
 c) Dividend of Rs. 50,000 was paid during the year ended 31st March 2019. 							
Prepare cash f			•				
Method.		j	F		8		
