LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECOND SEMESTER – **APRIL 2013**

CO 2814/1815 - ACCOUNTING FOR DECISION MAKING

Date : 06/05/2013 Dept. No. Max. : 100 Marks
Time : 9:00 - 12:00

PART-A

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

1. What is a Fund flow statement?

2. What do you understand by Break-Even-Point?

3. Explain the term Cost Driver in ABC.

4. Mention the objectives of Transfer Pricing.

5. State the important uses of Ratio Analysis.

6. What are the advantages of 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 calculate efficiency and activity ratios.

8. You are required to calculate Break Even Volume from the following data :
   Profit Rs. 5,000 (20% of sales)
   P.V. ratio is 50%

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. (5 x 8 = 40)

11. "Marginal costing is a valuable aid for Managerial Decisions" Discuss.

12. Discuss the characteristics of Relevant Costs in detail.

13. What is Zero – Base Budgeting (ZBB)? Explain the process of ZBB and its advantages**.**

14. From the following prepare a statement showing changes in working capital:

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

Liabilities	1998 Rs.	1999 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 & Bank	80,000	60,000
			Preliminary expenses	20,000	15,000
	12,20,000	13,35,000		12,20,000	13,35,000

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 6,000 units and 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.

	Per Unit
Direct Materials	
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 X and 100 units of Y

State which of the alternative sales mixes you would recommend to the management?

17. The following particulars are extracted from the books of Mr.K. Calculate cost per unit under ABC Analysis.

Product	Machine hrs/unit	Dir. lab hrs/unit	Annual output(Uts)	Total Mach.hrs	Total dir.lab hr	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

18.

	Standard	Actual
No. of Workers	10	9
Working hours p.m.	200	180
Output in units	5,000	4,800
Average wages per worker p.m. (Rs)	2000	1980

Calculate Labour variances.

PART-C

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

19. 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 receivable	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
			Goodwill	10,000	5,000
P & L A/c	10,040	10,560			
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.

20. With the help of the following ratios regarding Iindu 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. The standard cost for a chemical mixture is as under :

8 tons of material A at Rs.40 per ton

12 tons of material B at Rs.60 per ton
Standard yield is 90% of input
Actual cost for a period is as under :
12 tons of material A at Rs.30 per ton
20 tons of material B at Rs.68 per ton
Actual yield is 27 tons
Compute all material variances.

22. A Ltd. is formed to produce product X, the demand for which is uncertain. Their estimated costs are :

Materials p. u.	Rs. 2
Labour cost p. u.	Rs. 6
Variable overheads	Rs. 4
Fixed manufacturing expenses	Rs. 96,000

(a) If the selling price p. u. is Rs. 20, how many units they have to sell to :
(i) break even
(ii) make a profit of Rs. 32,000
(iii) make a profit of 20% on sales

(b) If the demand for the product is 10,000 units, what selling price they must charge in order to :
(i) break even
(ii) make a profit of Rs. 24,000
(iii) make a profit of 20%on sales