LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – **APRIL 2014**

CO 1815/2814/2810 - ACCOUNTING FOR DECISION MAKING

Date : 07/04/2014 Dept. No. Max. : 100 Marks
Time : 09:00-12:00

Part – A Answer ALL Questions 10 x 2 = 20

1. What are the uses of cash flow statement?
2. What do you mean by common size income statements?
3. Explain the term "Relevant Costing".
4. Discuss the importance of Break Even Point in Marginal Costing.
5. How do you view 'Zero base' budgeting.
6. Current Ratio 2.5, Liquid Ratio 1.75, Closing Stock is Rs. 75,000,calcute the value of current asset and liquid asset.
7. Is there any change in the value of current asset, when Rs, 20,000 value of debtors is realized?.
8. Margin of safety Rs.10, 000 which represents 40% of sales. P.V. ratio 50%. Calculate (a) Sales (b) Break even sales.
9. How standard costs differ from estimated costs?.
10. Two articles A and B produced in a factory. Their specifications show that 4 units of A or 2 units of B can be produced in one hour. The budgeted production for January, 2014 is 800 units of A and 200 units of B. The actual production at the end of the month was 900 units of A and 180 units of B. Actual labour hours spent were 350. Find out the Capacity and Activity ratios for January, 2014.

Part – B Answer Any FOUR Questions 4 x 10 = 40

11. "Marginal costing is a valuable aid for Managerial Decisions" Discuss.
12. Discuss the Relevant Costing in detail.
13. Discuss the managerial uses of Funds Flow Statement? What are its limitations?
14. A machine which originally cost Rs.1,20,000.00 has an estimated life of 10 years and is depreciated at the rate of Rs.12,000.00 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 realizable value of the machine is Rs.80,000.00. It is used for the job, its value is expected to fall to Rs.75,000.00. The net book value of the machine is Rs.84,000.00. 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 cab is ascertained?

15. Kavitha Furniture House places before you the following trading results:

Year	Units	Total cost Rs.	Sales Rs.
1993	10,000	80,000	1, 00,000
1994	12,000	90,000	1, 20,000

Find out the following:
(a) P/V Ratio (b) BEP both in units and amount
(c) Fixed cost (d) Margin of safety in the year 1994

16. The Sales Director of a manufacturing company reports that next year he expects to sell 50,000 units of a particular product. The production Manager consults the Storekeeper and casts his figures as follows:

Two kinds of raw materials A and B, are required for manufacturing the product. Each unit of the product requires 2 units of A and 3 units of B. The estimated opening balances at the commencement of the next year are : Finished product : 10,000 units Raw Materials A 12,000 units; B : 15,000 units The desirable closing balances at the end of the next year are : Finished product 14,000 units, A : 13,000 units B : 16,000 units

Prepare Production Budget and Materials Purchase Budget for the next year.

17. From the following information, prepare a Balance Sheet. Show the Workings.

1. Working capital	Rs.75,000
2. Reserves and surplus	1,00,000
3. Bank overdraft	60,000
4. Current ratio	1.75
5. Liquid ratio	1.15
6. Fixed assets to proprietors' funds	0.75
7. Long - term liabilities	Nil

Part – C ***Answer any TWO questions:*** ***2 x 20 = 40***

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

Balance Sheets

Liabilities	1987 Rs.	1988 Rs.	Assets	1987 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)	70,000	-	Debtors	80,000	64,200
			Cash	500	600
Sundry creditors	1,50,000	1,35,200	Bank	-	8,000
Provision for taxation	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.50,000 and it is payable in shares. The following assets were 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.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. ABC company ltd. has given the following particulars. You are required to Prepare a cash budget for the three months ending 31st December 1999.

(a) Months	Sales Rs.	Materials Rs.	Wages Rs.	Overheads Rs.
August	20,000	10,200	3,800	1,900

September	21,000	10,000	3,800	2,100
October	23,000	9,800	4,000	2,300
November	25,000	10,000	4,200	2,400
December	30,000	10,800	4,500	2,500

(b) Credit terms are:
Sales / Debtors - 10% sales are on cash basis, 50% of the credit sales are collected next month and the balance in the following month.
Creditors : Materials 2 month, Wages 1/5 month, Overheads ½ month
(c) Cash balance on 1st October, 1999 is expected to be Rs.8, 000.
(d) A machinery will be installed in August, 1999 at a cost of Rs.1, 00,000.
The monthly installment of Rs.5, 000 is payable from October onwards.
(e) Dividend at 10% on preference share capital of Rs.3,00,000 will be paid on 1st December, 1999.
(f) Advance to be received for sale of vehicle Rs.20,000 in December.
(g) Income - tax (advance) to be paid in December Rs.5,000

20. The following particulars are obtained from costing records of a factory.

	Product A (Per unit) Rs.	Product B (Per unit) Rs.
Selling price	200	500
Material (Rs. 20 per kg.)	40	160
Labour (Rs. 10. per hour)	50	100
Variable overhead	20	40

Total fixed overheads Rs. 15,000

Comment on the profitability of each product when:

(a) Raw material is in short supply ;
(b) Production capacity is limited ;
(c) Sales quantity is limited ;
(d) Sales value is limited ;
(e) Only 1,000 kgs. of raw material is available for both type of products in total and maximum sales quantity of each product is 300 units.

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.