LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – **APRIL 2018**

17/16PCO1MC04– 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)**

01. Write a note on the term Zero – Base Budgeting (ZBB).

02. What are essentials of a Budget?

03. Mention the uses of Cash Flow Analysis.

04. What are the objectives of financial statement analysis?

05. What are the advantages of Standard Costing?

06. Explain the reasons for applying the Relevant Costing.

07. P.V. ratio is 60%. Marginal cost is Rs. 50. What is the selling price per unit?

08. 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 Cost Variance (ii) Material Price Variance.

09. Calculate the EarningPer Share (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

Equity Share Capital (Rs.10 each) Rs.50,000.

10. Calculate fixed cost and variable cost per unit from the following table:

Particulars	70% capacity(7,000 units)	90% capacity(9,000 units)
Repair & maintenance	Rs. 1,900	Rs. 2,100

PART – B

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

11a) Explain the concept of Transfer Pricing in detail.

b) Discuss the methods and area of application on Transfer Pricing.

12. “Marginal costing is a valuable aid for Managerial Decisions” Discuss.

13. From the following the Balance sheet prepare a Fund Flow Statement for 2017.

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

Liabilities	**2016 (Rs.)**	**2017 (Rs.)**	**Assets**	**2016((Rs.)**	**2017(Rs.)**
Share capital	6,00,000	6,00,000	Fixed Assets	10,00,000	11,20,000
Reserves	50,000	1,80,000	(-) Depreciation	3,70,000	4,60,000
P& L 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	1,70,000	1,60,000	Book debts	2,50,000	2,30,000
Provision for tax	60,000	80,000	Cash and Bank	80,000	60,000
			Preliminary Exp	20,000	15,000
	12,20,000	13,35,000		12,20,000	13,35,000

14. 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.

15. X Ltd, has been approached by a customer who would like a special job to be done for him and is willing to pay Rs.22,000 for it. The job would require the following materials:

Material	**Total Units Required**	**Units already in Stock**	**Book Value of Units in Stock Rs./ Unit**	**Realizable Value Rs./Unit**	**Replacement cost Rs./Unit**
A	1000	Nil	-	-	60
B	1000	600	20	25	50
C	1000	700	30	25	40
D	200	200	40	60	90

a) Material B is used regularly by X Ltd. And if stocks are required for this job, they may need to be replaced to meet other production demand.

b) Materials C and D are in Stock as the result of previous excess purchase and they have a restricted use. No other use would be found for material C but Material D could be used another job as substitute for 300 Units of Material E, which currently costs Rs.50 per Unit (of which the company has no units in stock at the moment).

c) What are the relevant costs of material, in deciding whether or not to accept the job? All other expenses on this job are to be specially incurred. The relevant cost of other material is Rs.5,500.

16. Calculate all material variances from the following particulars.

	Standard			Actual		
Material	Qty. Kg.	Price Rs.	Total Rs.	Qty. kg.	Price Rs.	Total Rs.
A	500	6.00	3,000	400	6.00	2,400
B	400	3.75	1,500	500	3.60	1,800
C	300	3.00	900	400	2.80	1,120
	1200			1300		
Less 10% Normal Loss	120			220		
	1080		5,400	1,080		5,320

17. From the following data, calculate 1, Labour cost variance 2. Rate variance 3. Efficiency variance 4. Mix variance 5. Labour sub - efficiency variance.

	Standard		Actual	
	Hours	Rate	Hours	Rate
Skilled labour	10	3.00	9,000	4.00
Semi - skilled	8	1.50	8,400	1.50
Un - skilled	16	1.00	20,000	0.90

The actual production was 1000 articles.

PART-C **Answer any ONE question.** **(1 x 17 = 17)**

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

	Product A	Product B
	(Per unit)	(Per unit)
	Rs.	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.

19. From the following particulars, construct the Balance Sheet of Y Ltd., as on 31st December 2017.

Fixed assets (Net) Rs.10,50,000. Fixed assets turnover ratio – 2.

Stock turnover ratio – 6: Gross profit ratio 25%

Net profit (before interest) ratio – 8%

Fixed charges cover (Debenture interest 7%) – 8

Debt collection period – 45 days;

Materials consumed to sales - 30%

Stock of raw materials – 8 months consumption;

Current ratio – 2.4; Quick ratio – 1;

Reserves and Surplus to Share capital 0.20

20. 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 months

Wages 1 / 5 month

Overheads 1 / 2 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, 199.

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.

PART- D **Compulsory Question** **(1 x 23 = 23)**

21. Prepare Cash flow Statement as per As – 3 from the following balance sheets

Liabilities	31/03/17 Rs.	31/03/18 Rs.	Assets	31/03/18 Rs.	30/03/18 Rs.
Share capital	2,00,000	2,50,000	Land& Buildings	80,000	80,000
P & L A/c	50,000	1,00,000	Plant	60,000	68,000
Capital Reserve	Nil	18,000	Investment	20,000	32,000
Bank Loan	Nil	20,000	Goodwill	40,000	30,000
Creditors	10,000	21,000	Stock	55,000	1,00,000
Provision for Tax	15,000	18,000	Debtors	30,000	75,000
Proposed Dividend	25,000	20,000	Bills Receivable	10,000	50,000
Provision for Doubtful debts	2,000	3,000	Cash	7,000	15,000
	3,02,000	4,50,000		3,02,000	4,50,000

a) Land & building were purchases for Rs. 40,000. Profit on sale of land was transferred to capital reserve.
b) Investment Rs. 10,000 was sold at a loss of Rs. 2,000 and loss on sale was adjusted against capital reserve.
c) Investment purchased and interest received Rs. 3,000 was used in writing down book value of investment.
d) Bad debts written off during the year Rs. 1,000 against provision account.
e) Stock of 2014 was valued 10% above cost.
f) A loan of Rs. 28,000 was raised during 2017-2018

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