LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECONDSEMESTER – APRIL 2018

CO 2814- ACCOUNTING FOR DECISION MAKING

Date: 17-04-2018 Dept. No. Max. : 100 Marks
Time: 01:00-04:00

PART-A

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

1. What are the uses of Cash Flow Analysis?
2. Mention the advantages of Budgetary Control System
3. How do standard costs differ from estimated costs?
4. Why is ABC better than the traditional Costing?
5. State limitations of Ratio Analysis.
6. P.V. ratio is 60%. Marginal cost is Rs. 50. What is the selling price per unit?
7. Calculate fixed cost and variable cost per unit from the following table:

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

8. Explain the reasons for applying the Relevant Costing
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 Cost Variance (ii) Material Price Variance.
10. Mention the objectives of Transfer Pricing

PART – B **Answer any FIVE questions.** **(5 x 8 = 40 Marks)**

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

11b) Discuss the methods and area of application on Transfer Pricing.

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

13. What do you understand by Ratio Analysis? Examine its significance and utility.

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. From the following details, calculate funds from operations:

	Rs.		Rs.
Salaries	10,000	Discount on issue of debentures	1,000
Rent	2,000	Provision for bad debts	2,000
Refund of tax	10,000	Transfer to general reserve	4,000
Profit on sale of building	1,000	Preliminary expenses written off	5,000
Depreciation on plant	7,000	Goodwill written off	4,000
Provision for tax	5,000	Proposed dividend	5,000
Loss on sale of plant	3,000	Dividend received	2,000
Closing balance of Profit & Loss a/c	40,000		
Opening balance of Profit & Loss a/c	15,000		

16. From the following particulars pertaining to assets and liabilities of a company calculate (1) Current ratio (2) Liquid ratio (3) Proprietary ratio (4) Debt-Equity ratio (5) Capital Gearing ratio.

Liabilities	Rs.	Assets	Rs.
5,000 Equity shares of Rs. 100 each	5,00,000	Land and Building	6,00,000
2,000 8% Preference shares of Rs. 100 each	2,00,000	Plant and Machinery	5,00,000
4,000 9% Debentures of Rs. 100 each	4,00,000	Stock	2,40,000
Reserves	3,00,000	Debtors	2,00,000
Creditors	1,50,000	Cash and bank	55,000
Bank overdraft	50,000	Pre-paid expenses	5,000
	16,00,000		16,00,000

17. From the following details prepare balance sheet.

Long term loans : Rs.50,000

Working Capital : Rs.50,000

Reserves to Capital : 1:2

Current Ratio : 2 times

Liquid Ratio : 1.4 times

Fixed asset to propriety ratio : 0.6

There are no fictitious or intangible assets.

18. From the following information compute material variances.

	Standard			Actual		
	Quantity (Kilos)	Unit Price Rs.	Total Rs.	Quantity (Kilos)	Unit Prices Rs.	Total Rs.
Material A	10	2	20	5	3	15

Material B	20	3	60	10	6	60
Material C	20	6	120	15	5	75
Total	50	4	200	30	5	150

PART-C Answer any TWO questions. (2 x 20 = 40)

19. 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.

20. 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	14,900	17,700
Accounts payable	10,360	11,840	receivable	49,200	42,700
Provision for			Stock in trade	20,000	40,600
doubtful debts	700	800	Buildings	10,000	5,000
P & L A/c	10,040	10,560	Goodwill		
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.

21. A gang of workers normally consists of 30 men, 15 women and 10 boys. They are paid at standard hourly rates as under:

Men	Rs.0.80
Women	Rs.0.60
Boys	Rs.0.40

In a normal working week of 40 hours, the gang is expected to produce 2,000 units of output. During the week ended 30th September 2009, the gang consisted of 40 men, 10 women and 5 boys. The actual wages paid were Rs.0.70, Re. 0.65 and Re.0.30 respectively. 4 hours were lost due to abnormal idle time and 1,600 units were produced.

Calculate (i) wage variance, (ii) wage rate variance, (iii) labour efficiency variance, (iv) labour idle time variance and (v) gang composition variance (i.e. labour mix variance).

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