



LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

SECOND SEMESTER – APRIL 2025

CO 2814/CO 2810 – ACCOUNTING FOR DECISION MAKING



Date: 29-04-2025

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

Part – A

Answer Any four questions

4x10= 40 Marks

1. Discuss the role of Budgetary Control in business decision-making.
2. Explain the different methods of Transfer Pricing with examples.
3. A company provides the following standard and actual data for materials:
 Standard Material Cost per unit: ₹200 Standard Quantity Allowed: 5,000 units
 Actual Material Cost: ₹11,50,000 Actual Quantity Used: 5,200 units
 Calculate: a) Material Cost Variance b) Material Usage Variance
4. A manufacturing company finds that while the cost of making a component part is Rs. 10, the same is available in the market at Rs. 9 with an assurance of continuous supply. Give your suggestion whether to make or buy this part. Give also your views in case the supplier reduces the price from Rs. 9 to Rs. 8. The cost information is as follows: Material -3.50; Direct Labour -4.00; Other Variable Expenses-1.00 and Fixed Expenses -1.50
5. From the following Trading and Profit and Loss Account of Kaveri Ltd., you are required to ascertain Cash From Operations.

Trading and Profit & Loss A/c for the year ending 31-3-1999

Particulars	Rs.	Particulars	Rs.
To Cost of goods sold		By Sales	4,00,000
To Gross profit c/d	1,60,000		
Total	4,00,000	Total	4,00,000
To Stationery	6,000	By Gross Profit b/d	1,60,000
To Depreciation	14,000		
To Salaries	20,000		
To Loss on sale of investments	2,000		
To Rent & Taxes	8,000		
To Discount on issue of debentures	4,000		
To Postage	3,000		
To Provision for tax	20,000		
To Proposed dividend	10,000		
To Net profit	73,000		
Total	1,60,000	Total	1,60,000

6. From the following, compute the Funds From Operations:

Trading and Profit and Loss Account

	Rs.		Rs.
To Cash purchases	50,000	By Sales	60,000
To Gross profit	10,000		
	60,000		60,000
To Salaries	8,000	By Gross profit	10,000
To Rent	7,000	By Dividend received	3,000
To Depreciation	2,000	By Interest on investment	3,000
To Goodwill written off	1,000	By Net Loss	4,000
To Formation expenses written off	500		
To Discount on issue of debentures	1,500		
	20,000		20,000

7. From the following details, Compute a) Current assets b) Quick assets and c) Stock.
Current liabilities –Rs.9,00,000; Current ratio-2.5 and Acid test ratio-2 (without prepaid expenses)

8.Explain the application of marginal costing for decision making.

PART – B

Answer any Three Questions:

3x 20 = 60 Marks

9. Explain the concept of Activity-Based Costing (ABC). How does it differ from traditional costing methods? Illustrate with an example.

10. Explain the significance of fund flow and cash flow statements in financial decision-making. Discuss the major differences between them with suitable examples.

11. Wear Well Ltd. supplies you the following Balance Sheets on 31st December:

<i>Liabilities</i>	<i>2017</i>	<i>2018</i>	<i>Assets</i>	<i>2017</i>	<i>2018</i>
	Rs.	Rs.		Rs.	Rs.
Share capital	1,00,000	1,50,000	Bank balance	2,000	15,000
General reserve	50,000	60,000	Account receivable	75,000	63,200
P/L A/c	30,500	30,000	Stock	50,000	24,000
Provision for Taxation	32,000	35,000	Land& Building	1,00,000	90,000
Bank Loan	70,000	---	Goodwill	5,000	-----
Sundry Creditors	50,000	37,200	Plant and Machinery	1,00,000	1,19,000
	3,32,500	3,12,200		3,32,500	3,12,200

Following additional information has also been supplied to you.

- Dividends amounting to Rs. 23,000 were paid during the year.
- Depreciation written off on building Rs. 10,000, Machinery Rs. 14,000
- Income tax paid during the year Rs. 28,000.

You are required to prepare a cash flow statement.

12. Following are the comparative Balance sheet of a Company for the years 2023 and 2024.

Balance Sheets

Liabilities	2023 Rs.	2024 Rs.	Assets	2023 Rs.	2024 Rs.
Share Capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Creditors	10,360	11,840	Stock	49,200	42,700
Profit & Loss A/c	10,740	11,360	Land	20,000	30,000
			Goodwill	10,000	5,000
	1,03,100	1,03,200		1,03,100	1,03,200

Additional information:

1. Dividend was paid totaling Rs. 4,000 and
2. Land was purchased for Rs. 15,000.

You are required to prepare a statement showing changes in working capital and a Funds Flow Statement.

13. From the following information prepare a Balance Sheet. Show the workings.

	Rs.
i) Working Capital	60,000
ii) Reserves and Surplus	40,000
iii) Bank Overdraft	10,000
iv) Current ratio	2.5
v) Liquid ratio	1.5
vi) Fixed assets to proprietor's funds	0.75
vii) Long term liabilities	NIL

14. XYZ Company wishes to arrange O.D., facilities with its banker during the period April- June:

i) Prepare a cash budget for the above period from the following data:

Months	Sales Rs.	Purchases Rs.	Wages Rs.
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

ii) 50% of credit sales is realized in the month of following the sales and the other 50% in the second month following. Creditors are paid in the month of following the month of purchases.

iii) Wages are paid the end of the respective month.

iv) Cash @ bank – on 1st April Rs, 25,000

#####