LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

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

FIRST SEMESTER – **APRIL 2025**

PCO1MC04 – ACCOUNTING FOR DECISION MAKING

Date: 30-04-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

	SECTION A – K1 (CO1)
	Answer ALL the questions **(5 x 1 = 5)**
1	**Answer the following**
a)	What is Ratio Analysis?
b)	What is Key Factor?
c)	Define Cost Driver
d)	What is “Cash Flow Statement”?
e)	Define Transfer pricing.
	SECTION A – K2 (CO1)
	Answer ALL the questions **(5 x 1 = 5)**
2	**MCQ**
a)	A cost driver : a) is a force behind the overhead cost b) is an allocation base c) is a transaction that is significant determination of cost d) All the above
b)	Current ratio indicates_____ a) Ability to meet short term obligations b) Efficiency of management c) Profitability d) All the above
c)	Marginal cost is______ a) Prime cost b) Work cost c) Cost of production d) Variable cost.
d)	Premium on redemption of debentures is : a) a cash inflow b) an income c) an asset d) Cash out flow.
e)	Payback period indicates the selection of project having a pay back of ______ a) Shorter period b) Longer period c) Both a & b above d) None of the above
	SECTION B – K3 (CO2)
	Answer any THREE of the following in 100 words each. **(3 x 10 = 30)**
3	Following are the ratios relating to the trading activities of Neela Traders Ltd. Madras.

Receivable turnover	90 days (360 days year)
Inventory turnover	3 times
Payable turnover	3 months
Gross profit	25%

Gross profit for the year amounted to Rs. 18,000. Closing inventory of the year Rs. 2,000 above the opening stock. Bills receivables amount to Rs. 2,500 and bills payables Rs. 1,000. Ascertain the following:

i)Sales ii) Trade debtors iii) Closing inventory and iv) Sundry Creditors

4 You are given the following information:

	Rs.
Fixed cost	1,50,000
Variable cost per unit	15
Selling price per unit	30

Calculate;

i)Break –even point

ii) Sale to earn a profit of Rs. 20,000.

5 The standard and actual figures of a firm are as under:

Standard time for the job	1,000 hours
Standard rate per hour	Rs.50
Actual time taken	900 hours
Actual wages paid	Rs.36.000

Calculate: i) Labour rate variance ii) Efficiency variance iii) Total cost variance

6 Solvi Ltd, earned profit of Rs. 2,00,000 after charging or crediting the following items to its P&L A/c during 31.12.2018.

	Rs.
Profit on sale of investment	4,000
Loss on sale on building	9,000
Depreciation on fixed assets	7,000
Amortization of goodwill	2,000
Provision for tax made	60,000
Income tax paid	50,000
Extraordinary income	10,000

Following are additional details are available:

	1.4.2017	31.3.2018
	Rs.	Rs.
Bills payable	5,000	8,000
Creditors	12,000	16,000
Outstanding expenses	2,000	1,000
Bills receivable	20,000	18,000
Debtors	40,000	60,000
Prepaid expenses	2,000	3,000
Accrued income	5,000	8,000
Income received in advance	2,000	1,000

Calculate Net cash from operating activities for the year ending 31.12.2018.

7 Explain the concept of transfer pricing and discuss its significance in multinational corporation.

SECTION C – K4 (CO3)

Answer any TWO of the following in 200 words each. (2 x 12.5 = 25)

8 Following are the summarized Balance Sheets of Arul Ltd. as on 31st Dec.2015 and 2016.

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Share capital	1,00,000	1,50,000	Land& Building	1,00,000	90,000
General reserve	50,000	60,000	Plant& Machinery	1,00,000	1,19,000
P/L A/c	30,500	30,000	Stock	50,000	24,000
Bank loan	70,000	--	Debtors	75,000	63,200
Sundry creditors	50,000	37,200	Cash	500	1,000
Provision for tax	32,000	35,000	Bank	2,000	15,000

			Goodwill	5,000	---
	3,32,500	3,12,200		3.32.500	3,12,200

Additional Information:
During the year ended 31st December 2016.

a) Dividend of Rs. 23,000 was paid.
b) Depreciation written off on buildings Rs. 10,000, Machinery Rs. 14,000
c) Income tax paid during the year Rs. 28,000

Prepare a statement of cash flow for the year ended 31st Dec-2016.

9 The standard cost of a chemical mixer is as follows:
40% Material A at Rs. 20 per kg
60% Material B at Rs. 30 per kg
A standard loss of 10% of input is expected in production.
The cost records for a period showed the following usage:
90 kg material A at a cost of Rs.18 per kg
110 kg material B at a cost of Rs. 34 per kg
The quantity produced was 182 kg of good product
Calculate a) Material cost variance; b) Material price variance and c) Material usage variance.

10 Discuss the use of Management accounting as a tool in decision- making and exercising control.

11 Explain the pricing methods of Relevant Cost, Activity Based Costing and transfer pricing with their implications.

SECTION D – K5 (CO4)

Answer any **ONE** of the following in 500 words (1 x 15 = 15)

12 MST Limited has collected the following data for its two activities. It calculates activity cost rates based on cost driver capacity

Activity	Cost Driver	Capacity	Cost
Power	Kilowatts hours	50,000 Kilowatts hours	Rs.2,00,000
Quality Inspections	Number of Inspections	10,000 Inspections	Rs.3,00,000

The company makes three products M, S &T, for the year ended March 31st ,the following consumption of cost drivers was reported:

Product	Kilowatts hours	Quality Inspections
M	10,000	3,500
S	20,000	2,500
T	15,000	3,000

Required: i) Compute the costs allocated to each product from each activity
ii) Calculate the cost of unused capacity for each activity.
iii) Discuss the factors the management considers in choosing a capacity level to compute the budgeted fixed overhead cost rate.

13 Prepare a Balance Sheet with as many details as possible from the following information:

Gross Profit ratio	20%
Debtors turnover	6 times
Fixed assets to net worth	0.80
Reserves to capital	0.50
Current ratio	2.50
Liquid ratio	1.50
Net working capital	Rs. 3,00,000
Stock turnover ratio	6 times

SECTION E – K6 (CO5)

Answer any **ONE** of the following in 1000 words (1 x 20 = 20)

14 A company is considering an investment proposal to purchase a machine costing Rs. 2,50,000. The machine has a life expectancy of 5 years and no salvage value. The company's tax rate is 40%. The firm uses straight line method for providing depreciation. The estimated cash flows before tax after depreciation (CFBT) from the machine are as follows:

Year	CFBT(Rs.)
1	60,000
2	70,000
3	90,000
4	1,00,000
5	1,50,000

Calculate:

i) Payback period; ii) Average rate of return; iii) Net Present Value and iv) Profitability index at 10% discount rate. You may use the following table:

Year	1	2	3	4	5
P.V.Factor at 10%	0.909	.826	.751	.683	.621

15 A company has an investment opportunity costing Rs. 40,000 with the following Expected net cash flow after taxes and before depreciation.

Year	Net cash flow
	Rs.
1	7,000
2	7,000
3	7,000
4	7,000
5	7,000
6	8,000
7	10,000
8	15,000
9	10,000
10	4,000

Using 10% as the cost of capital, determine the following:

(a) Payback period
(b) Net present value at 10% discount factor
(c) Profitability index at 10% discount factor
(d) Internal rate of return with the help of 10% and 15% discount factor.

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