LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – NOVEMBER 2017

CO 1815 - ACCOUNTING FOR DECISION MAKING

Date: 10-11-2017 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 Fund Flow Statement?
2. What do you mean by Trend Analysis?
3. Explain the term “Cost Driver”.
4. Discuss the advantages of Marginal Costing.
5. Mention the steps in Budgetary Control System.
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, 2017.

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

11. a) Discuss the concept of Relevant Costing and its characters
11b) Explain the reasons for applyingthe Relevant Costing
11c) Mention the different decisions of Relevant Costing in Managerial Decisions.
12. a) Explain the concept of Transfer Pricing in detail.
12b) Discuss the methods and area of application on Transfer Pricing.
13. Following information has been made available from the cost records of United Automobiles Ltd. manufacturing spare parts.

Direct Materials	Per Unit
X	Rs. 8
Y	6
Direct Wages	
X	24 hours at 25 paise per hour
Y	16 hours at 25 paise per hour
Variable overheads	150% of wages
Fixed overheads	Rs. 750
Selling price	
X	Rs. 25
Y	Rs. 20

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.

(a) 250 units of X and 250 units of Y
(b) 400 units of Y only
(c) 400 units of X and 100 units of Y
(d) 150 units of X and 350 units of Y.

State which of the alternative sales mixes you would recommend to the management?

14. Assuming that the cost structure and selling prices remain the same in periods I and II find out : (i) P / V ratio . (ii) B. E. Sales .(iii) Profit when sales are Rs. 1,00,000 .(iv) Sales required to earn a profit of Rs. 20,000 .(vi)Margin of safety in IInd period

Period	Sales (Rs.)	Profit(Rs.)
I	1,20,000	9,000
II	1,40,000	13,000

15.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. 100each	5,00,000	Land and Building	6,00,000
2,000 8% Preference shares of Rs. 100 each	2,00,000	Plant 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 at Bank	55,000
Bank overdraft	50,000	Pre-paid expenses	5,000
	16,00,000		16,00,000

16. The following particulars are extracted from the books of Mr. Xavier Calculate cost per unit under: a) Traditional volume based costing. b) ABC assuming that product A is more of machine oriented and product is labour oriented

Product	Machine hr per unit	Dir Lab hr Per unit	Annual output in uts	Total machine hrs	Total Direct labour hrs	No of purchase order	No of set ups
A	2	4	1,000	2,000	4,000	80	40
B	2	4	10,000	20,000	40,000	160	60
				22,000	44,000	240	100

The cost of activities is as follows:

Volume related	1,10,000
Purchasing related	1,20,000
Set - up related	2,10,000
Total	**4,40,000**

17. A company at present operating at 80% capacity produces and sells 40,000 Units. Given below are the expenses per unit.

	Rs.
Direct material	15
Direct labour	10
Factory overhead (30% fixed)	5
Office overhead (60% variable)	3
Selling and distribution overhead (50% fixed)	2
Selling price	45

Prepare a budget at 60% capacity and 90% capacity.

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

18. With the help of the following ratios regarding Indu Films draw the balance Sheet of the Company for the year 1999.

Current ratio	2.5
Liquid ratio	1.5
Net working capital	Rs.3,00,000
Stock turnover ratio (cost of sales/closing stock)	6 times
Gross profit ratio	20%
Debt collection period	2 months
Fixed assets turnover ratio (on cost of sales)	2 times
Fixed assets to shareholders' net worth	0.80
Reserve and Surplus to Capital	0.50

19.

	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. The standard cost of a certain chemical mixture is

40% Material A at Rs.25 per kg.
60% Material B at Rs.36 per kg.
A standard loss of 10% is expected in production.
During a period, the actual usage and prices were :
150 kgs of Material A at Rs.27 per kg.
260 kgs of Material B at Rs.34 per kg.
The actual output was 360 kgs.
Compute all material variances.

21. The summarized balance sheet of Star Watches Limited as on 31st March 2016 and 2017 are as follows

Liabilities	**2016 (Rs.)**	**2017 (Rs.)**	**Assets**	**2016 (Rs.)**	**2017 (Rs.)**
Share Capital	3,00,000	4,00,000	Fixed Asset	8,00,000	9,50,000
Capital Reserve	NIL	10,000	(-) Depreciation	2,30,000	2,90,000
General Reserve	1,70,000	2,00,000	Net Fixed Asset	5,70,000	6,60,000
Profit & Loss	60,000	75,000	Trade Investments	1,00,000	80,000
Debentures	2,00,000	1,40,000	Current Assets	2,80,000	3,30,000
Liabilities for goods and services	1,20,000	1,30,000	Preliminary Expenses	20,000	10,000
Provision for tax	90,000	85,000			
Proposed dividend	30,000	36,000			
Unpaid dividend	NIL	4,000			
	9,70,000	**10,80,000**		**9,70,000**	**10,80,000**

(a). The company sold one machine for Rs. 25,000; the cost of the machine was Rs. 50,000 and the depreciation provided amounted to Rs. 21,000.
(b).It provided Rs. 95,000 as depreciation for 2015
(c)It redeemed 30% of the debentures at Rs. 103.
(d) It sold some trade investments and profit thereon was credited to capital reserve.
(e) It was decided to value the stock at cost whereas previously the practice was to value the stock at cost less 10%. The stock according to books 31/03/2016 was Rs. 54,000. The stock on 31/03/17 was correctly valued at cost Rs. 75,000.
You are required to prepare the cash flow statement during 2017as per AS: 3

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