LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

SIXTHSEMESTER – APRIL 2017

BU 6606- ACCOUNTING FOR DECISION MAKING

Date: 24-04-2017   Dept. No.   Max. : 100 Marks
Time: 09:00-12:00

PART – A

ANSWER ALL THE QUESTIONS: (10 X 2 = 20 MARKS)

1. List out any four duties of management accountant.
2. List out any four limitations of financial accounting.
3. What is Capital Gearing Ratio?
4. Define Zero Base Budgeting.
5. What are Current Assets and Current Liabilities?
6. What are solvency ratios?
7. Write a short on liquid ratio.
8. Define Absorption costing.
9. What do you mean by variance analysis?
10. Define controllable and uncontrollable variance.

PART –B

Answer any FOUR questions: (4x 10= 40 marks)

11. Explain the steps involved in installation of management accounting system.

12. A company's reported current year profit is Rs. 70,000 after incorporating the following:

	Rs.		Rs.
Loss on sale of equipment	10,000	Gain from sale of fixed assets	40,000
Premium on redemption of debentures	1,500	Excess provision for taxation	22,000
		Income from investments	4,000
Discount of issue of debentures	2,000	Transfer to general reserve	5,000
Depreciation on machinery	20,000	Preliminary expenses	1,000
Depletion of natural resources	10,000	Profit on revaluation of fixed assets	2,500
Amortization of goodwill	30,000		
Interim dividend	25,000		

Derive the net flow of funds from the operations.

13. Prepare a cash budget for March, April and May 2015 from the following information

Month	Sales	Purchases	Expenses
	Rs.	Rs.	Rs.
February 2015	10,00,000	8,00,000	1,10,000
March 2015	12,00,000	12,00,000	1,30,000
April 2015	14,00,000	8,00,000	1,50,000
May 2015	16,00,000	10,00,000	1,70,000

a. All sales are for cash.
b. The period of credit allowed by the suppliers is one month.
c. Lag in payment of expenses is one month.
d. Opening balance of cash on 1st March is Rs. 90,000.
e. In May, an asset for Rs. 4,00,000 is to be purchased.

14. Examine the advantages of ratio analysis.

15. The standard time and rate for unit component are given below:

Standard hours	20
Standard rate	Rs. 5 per hour
Actual production	1,000 units
Actual hours	20,500
Actual rate per hour	Rs. 4.80

Calculate :

a) Labour cost variance
b) Labour efficiently variance
c) Labour rate variance

16. David manufacturing company finds that while it costs Rs.6.25 To make each component X, the same is available in the market at Rs.4.85 Each, with an assurance of continued supply.

The break down of cost is:	
Rs.	
Materials	2.75 Each
Labour	1.75 Each
Other Variables	0.50 Each
Depreciation and Other Fixed Costs	1.25 Each
Total	6.25

Should you make or buy?

17. From the following, calculate Operating profit ratio, Operating ratio, Gross profit ratio and Net profit ratio.

	Rs.
Sales	1,00,000
Dividend received	400
Gross profit	30,000
Net profit	26,600
Administration expenses	1,000
Selling expense	2,000
Loss on sale of investments	800

PART –C

Answer any TWO questions: (2x 20= 40 marks)

18. The following budgeted production and costs are available for 50% and 75% capacity levels of a factory:

Capacity	50%	75%
Budgeted production (units)	2,000	3,000
	Rs.	Rs.
Direct material	10,000	15,000
Direct wages	8,000	12,000
Insurance	4,000	4,000
Depreciation	2,000	2,000
Indirect materials	4,000	5,000
Fuel	6,000	8,000
Maintenance	2,000	2,200
	36,000	48,200

You are required to:

a) Indicate which of the items are fixed, variable and semi-variable.
b) Prepare a budget for 90% capacity.
c) Show the total cost and cost per unit at 50%, 75% and 90% capacity levels.

19. From the following particulars calculate

i. Material price variance
ii. Material usage variance and
iii. Material cost variance

Materials	Standard		Actual	
	Units	Price (Rs.)	Units	Price (Rs.)
A	1,010	1	1,080	1.2
B	410	1.5	380	1.8
C	350	2	380	1.9

20. Using the information and the form given below compute the Balance Sheet items for a firm having sales of Rs. 36 lakhs.

Sales/ Total assets	3
Sales/ Fixed assets	5
Sales/ Current assets	7.5
Sales /Inventories	20
Sales/ Debtors	15
Current ratio	2
Total assets/Net worth	2.5
Debt/equity	1

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Net worth		Fixed assets	
Long-term debt		Inventories	
Current liabilities		Debtors	
		Liquid assets (others)	

21. Sales price - Rs. 20 per unit
Variable production cost - Rs. 11 per unit
Variable selling cost - Rs. 3 per unit
Fixed factory overheads - Rs. 5,40,000 per year
Fixed selling costs - Rs. 2,52,000 per year

Calculate:

a. Break Even Point in value and volume
b. Sales required to earn a profit of Rs. 60,000
c. Sales required to earn a profit of 10% of sales

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