 LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

 **M.Com.** DEGREE EXAMINATION - **COMMERCE**

SECOND SEMESTER – APRIL 2011

# CO 2814/2810 - ACCOUNTING FOR DECISION MAKING

 Date : 11-04-2011 Dept. No. Max. : 100 Marks

 Time : 9:00 - 12:00

 **Part – A**

**Answer ALL questions 10 x 2 = 20**

1. Explain the concept of Fund Flow Statement.

2. Discuss the objectives of Financial Statement Analysis.

3. What is Contribution?

4. What is Zero-Base Budgeting?

5. Define Standard Costing.

6. Classify the types of Standards.

7. What is Transfer Pricing?

8. A factory produces 2 units of a commodity in one standard hour. Actual production during a particular year is 17,000 units and the budgeted production for the year is fixed at 20,000 units. Actual hours operated are 8,000. Calculate the efficiency and activity ratios.

9. The cost, volume and profit relationship of a company is described by equation Y = Rs.3,00,000 + 0.7 X in which X represents sales and Y represents total cost. Find out (a) P.V. ratio (b) B.E. sales

10. 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

**PART – B**

**Answer any Five Questions: 5 x 8 = 40**

11. How cash flow statement differs from funds flow statement?

12. “Ratio analysis is a tool of management for measuring efficiency and guiding business policies” - Discuss

13. Briefly discuss the steps in the installation of a system of budgetary control.

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

 1. Working Capital Rs. 75,000

 2. Reserves and Surplus 1,00,000

 3. Bank Overdraft 60,000

 4. Current ratio 1.75

 5. Liquid ratio 1.15

 6. Fixed assets to proprietors funds 0.75

 7. Long term liabilities NIL

15. From the particulars given below prepare a Cash Budget for the month June 2008:

 a. Expected sales:

 April 2008 – Rs. 20,000; May – Rs. 2,20,000; June – Rs. 1,90,000

 Credit allowed to customers is two months and 50% of the sales of every month is on cash basis.

 b. Estimated purchases:

 May 2008 – Rs. 1,20,000; June – 1,10,000

 40% of the purchase of every month is on cash basis and the balance is payable next month.

 c. Rs. 2,000 is payable as rent every month.

 d. Time lag in payment of overhead is ½ month.

 Overhead: For May Rs. 12,000; For June Rs. 11,000

 e. Depreciation for the year is Rs. 12,000

 f. Interest receivable on investment during June and December Rs. 3,000 each.

 g. Estimated Cash Balance as on 1-6-2008 is Rs. 42,500.

16. From the following summarized balance sheets of Sri Krishna Ltd., prepare a schedule of changes in working capital and a statement of sources and application of funds.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities**  | **1998****Rs.** | **1999****Rs.** | **Assets**  | **1998****Rs.** | **1999****Rs.** |
| Share capital CreditorsProfit and Loss A/c  | 4,00,0001,06,00014,000 | 5,75,00070,00031,000 | Plant StockDebtorsCash | 75,0001,21,0001,81,0001,43,000 | 1,00,0001,36,0001,70,0002,70,000 |
|  | 5,20,000 | 6,76,000 |  | 5,20,000 | 6,76,000 |

17. The labour budget of a company for a week is as under.

 20 skilled men at Rs.5 per hour for 40 hours

 40 Unskilled men at Rs.3 per hour for 40 hours.

 The actual employment was as under:

1. killed men at Rs. 5 per hour for 40 hours.

30 nskilled men at Rs.4 per hour for 40 hours. Calculate labour variances.

18. A machine which originally cost Rs.1,20,000.00 has an estimated life of 10 years and is depreciated at the rate of Rs.12,000.00 per year. It has been unused for some time as expected production orders did not materialize. A special order has now been received which would require the use of the machine for two months. The current net realizable value of the machine is Rs.80,000.00. it is used for the job, its value is expected to fall to Rs.75,000.00. The net book value of the machine is Rs.84,000.00. Routine maintenance of the machine currently costs Rs.400 per month. With use, the cost of maintenance and repairs would increase to Rs.600 per month.

 What would be the relevant cost of using the machine for the order so that the minimum price for the order cab be ascertained?

**PART – C**

**Answer any Two Questions 2 x 20 = 40**

19. From the summarized balance sheets of Kissan Industries Ltd., prepare a cash flow statement for the year ended

 31-3-2008

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **31.3.08****Rs.** | **31-3-08****Rs.** | **Assets** | **31-3-08****Rs.** | **31-3-08****Rs.** |
| Share capitalGeneral reserveProfit and Loss A/cSundry creditorsOutstanding expensesProvision for taxationProvision for bad debts | 10,0001,4001,6008001201,6008015,600 | 10,0001,8001,3006001001,80010015,700 | GoodwillLandBuildingInvestmentsInventoriesBills ReceivableBank | 1,2004,0003,7001,0003,0002,00070015,600 | 1,2003,6003,6001,1002,4002,3001,50015,700 |

**Additional Information:**

1. A piece of land has been sold for Rs.400
2. Depreciation of Rs.700 has been charged on building
3. Provision for taxation Rs.2,000 has been made during the year

20.A Ltd. is formed to produce product X, the demand for which is uncertain. Their estimated costs are:

 Materials p.u. Rs. 2

 Labour cost p.u. Rs. 6

 Variable overheads Rs. 4

 Fixed manufacturing expenses Rs. 96,000

(a) If the selling price p. u. is Rs. 20, how many units they have to sell to :

 (i) break even

 (ii) make a profit of Rs. 32,000

 (iii) make a profit of 20% on sales

(b) If the demand for the product is 10,000 units, what selling price they must charge in order to:

 (i) break even

 (ii) make a profit of Rs. 24,000

 (iii) make a profit of 20%on sales

21. Calculate material variances from the following details.

 Standard Actual

 Material Qty. Price Total Qty. Price Total

 Kg. Rs. Rs. kg. Rs. Rs.

 A 500 6.00 3,000 400 6.00 2,400

 B 400 3.75 1,500 500 3.60 1,800

 C 300 3.00 900 400 2.80 1,120

 1200 1300

Less 10%

Normal Loss 120 220

 1,080 5,400 1,080 5,320

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