LOYOLA COLLEGE (AUTONOMOUS), CHENNAI-600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – NOVEMBER 2014

CO 2814 / 1815 - ACCOUNTS FOR DECISION MAKING

Max :100 marks

PART-A

I Answer ALL questions. (10 x 2 = 20)

1. Write any four objectives of Fund flow statement.
2. What are the main steps in Budgetary Control?
3. Discuss the different types of Standards in Standard Costing..
4. What do you understand by the term "Break – Even Analysis**?**
5. How is ABC better compared to Traditional Method?
6. What are the main objectives of Financial Statement Analysis
7. Factory produces 2 units of a commodity in one standard hour. Actual production during a 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 Efficiency and Activity Ratios.
8. You are given: Margin of safety Rs.10, 000 which represents 40% of sales. P.V. ratio 50%. Calculate (a) Sales (b) Break even sales.
9. Calculate the EPS from the following data, Net profit before tax Rs.1,00,000,Tax @50 %, 10% preference share capital (Rs.10 each) Rs.1,00,000 and 10,000 equity shares Rs.10 each.
10. Pass the journal entries when a company issued shares worth of Rs 50,000 against the following assets. (i) Stock Rs. 25,000,ii) Plant and Machinery Rs. 20,000.

PART-B

Answer any FOUR questions. (4 x 10 = 40)

11. What is Zero – Base Budgeting (ZBB)? Explain the process of ZBB and its advantages.
12. Discuss the characteristic of Relevant Cost.
13. ITC. Ltd., has prepared the budget for the production of 1 lakh units of the only commodity manufactured by it for a costing period as under :

	Rs. (lakh)
Raw material	2.52
Direct Labour	0.75
Direct Expenses	0.10
Works Overhead (60% fixed)	2.25
Administrative Overheads (80% fixed)	0.40
Selling Overhead (50% fixed)	0.20

The actual production during the period was only 60,000 units. Calculate the revised budgeted cost per unit.

14. 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

15. The following are the summarised balance sheets of XYZ Ltd., as on 31st December 1998 and 1999.

BALANCE SHEET

Liabilities	**31.03.2013 Rs.**	**31..03.2014 Rs.**	**Assets**	**31 .03 2013 Rs.**	**31.03 2014 Rs.**
7% Redeemable			Fixed Assets	41,000	40,000
preference shares	-	10,000	Less : Depreciation	11,000	15,000
Equity shares	40,000	40,000		30,000	25,000
	40,000	50,000	Current assets :		
General reserve	2,000	2,000	Debtors	20,000	24,000
Profit & Loss			Stock	30,000	35,000
Account	1,000	1,200	Prepaid expenses	300	500
Debentures	6,000	7,000	Cash	1,200	3,500
Current liabilities:					
Creditors	12,000	11,000			
Provision for tax	3,000	4,200			
Proposed dividend	5,000	5,800			
Bank overdraft	12,500	6,800			
	81,500	88,000		81,500	88,000

You are required to prepare Fund Flow Statement in vertical format.

16. Division A for a manufacturing company has set target sales of 4,00,000 units of a product at a price fetch a return of 25% on the assets employed. The following data are available.

Fixed costs Rs 8,00,000 Variable costs Rs 1 per unit

Assets employed: Fixed assets Rs.8,00,000 Current assets Rs.16,00,000

The market can however absorb only 2.80,000 units. Consequently, division B is advised to buy 1,20,000 units. Division A willing to supply this quantity to division B, however want it at Rs 2.25 per unit. If A refuses to supply its requirement of 1,20,000 units at Rs.2,25 per unit and restricted, its activity to 2,80,000 units of market sale, it could reduce the investment in stock to the tune of Rs.160000 and he fixed assets by Rs 2,40,000. Besides it selling expenses will also go down by Rs.80,000.You are required to prepare statement and advise whether A should agree to supply B's requirement of 1,20,000 units at Rs.2.25 per unit using Transfer Pricing method.

17. The following particulars are extracted from the books of Mr. jose

Calculate cost per unit under: a)Traditional volume based costing , b) ABC

	Mac. Hr.per unit	**Dir.lab Hr. p.n.**	**Annual Output Units**	**Total Machine Hrs.**	**Total Direct Lab hrs.**	**No.of Purchase Order**	**No.of Set ups**
Pdt A	2	4	1,000	2,000	4,000	80	40
Pdt B	2	4	10,000	20,000	40,00	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**

PART-C **Answer any TWO questions.** **(2 x 20 = 40)**

18. The summarized balance sheet of Star Watches Limited as on 31st December 1998 and 1999 are as follows:

Liabilities	1998 (Rs.)	1999 (Rs.)	Assets	1998 (Rs.)	1999 (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**

. **During 1999, the company**

a) 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) Provided Rs. 95,000 as depreciation.

c) Redeemed 30% of the debentures at Rs. 103.

d) Sold some trade investments and profit thereon was credited to capital reserve

e) 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 31/12/1998 was Rs. 54,000. The stock on 31/12/1999 was correctly valued at cost Rs. 75,000.

You are required to prepare the cash flow statement during 1999.

19. With the help of the following ratios regarding Hindu films draw the Balance Sheet of the Company for the year 2014.

Current ratio	1.75
Liquidity ratio	1.25
Sales for the year	Rs. 12,00,000
Stock turnover ratio (cost sales/closing stock)	9 times
Gross profit ratio	25%
Debt collection period	1.1/2 Months
Turnover to Fixed assets (based on on cost of sales)	1. 2 times
Reserve and Surplus to Share Capital	0.2
Capital Gearing ratio	0.5
Fixed Assets to Net Worth	1.25

20. . The following particulars are obtained from costing records of a factory.

	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 unit

21. The standard cost for a chemical mixture is as under:

8 tons of material A at Rs.40 per ton

12 tons of material B at Rs.60 per ton

Standard yield is 90% of input

Actual cost for a period is as ssssunder:

12 tons of material A at Rs.30 per ton

20 tons of material B at Rs.68 per ton

Actual yield is 27 tons

Compute all material variances.