LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – NOVEMBER 2015

CO 1815 - ACCOUNTING FOR DECISION MAKING

Date : 11/11/2015 Dept. No. Max. : 100 Marks

Time : 01:00-04:00

Section – A **Answer ALL questions:** **10 x 2 = 20**

1. Explain the term “Relevant Costing”.
2. Discuss the features of Marginal Costing.
3. What do you mean by cost driver?
4. Explain the objectives of transfer price
5. What are the advantages of ABC?
6. 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.
7. From the following particulars calculate the fixed cost

Capacity	60%	100%
Units produced	600 units	1000 units
Power and fuel	Rs.1,600	Rs.2,000

8. Calculate (a) CA (b) CL (c) LA (d) Stock when CR 2.5 LR 1.5 and WC Rs.90,000.
9. A factory planned to produce 500 units of a product using 4,000 labour hours costing Rs.40 each actually 450 units were produced by working 4,100 labour hours. Calculate Labor Efficiency Variance.
10. You are required to calculate BEP from the following data. Profit Rs.10, 000 (25% of sales) PV ratio is 50%.

Section – B **Answer any FOUR questions:** **4 x 10 = 40**

11. Discuss the different stages and all levels of ABC in detail.
12. (a) Enumerate the characteristics of Relevant Costs. (b) Discuss its area of application
13. From the following Balance Sheet prepares a Fund Flow Statement for 2015.

Balance Sheets of Sri Ganesh Ltd., as on 31st March

Liabilities	2014 (Rs.)	2015 (Rs.)	Assets	2014((Rs.)	2015(Rs.)
Share capital	6,00,000	6,00,000	Fixed Assets	10,00,000	11,20,000
Reserves	50,000	1,80,000	Less : Depreciation	3,70,000	4,60,000
Profit and Loss account	40,000	65,000		6,30,000	6,60,000
Debentures	3,00,000	2,50,000	Stock	2,40,000	3,70,000
Creditors for goods	1,70,000	1,60,000	Book debts	2,50,000	2,30,000
Provision for Income tax	60,000	80,000	Cash in hand and at Bank	80,000	60,000
			Preliminary Expenses	20,000	15,000
	12,20,000	13,35,000		12,20,000	13,35,000

14. 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.

15. Division A is a profit centre which produces, X, Y, and Z. each product has an external market.

Particulars	X	Y	Z
External market price per unit (Rs.)	48	46	40
Variable cost of production per unit In division a (Rs.)	33	24	28
Labor hours required per unit in a division	3	4	2

Product Y can be transferred to division B, but the maximum quantity that might be required for transfer is 300 units of Y.

The maximum external sales are

X-800 units

Y-500 units

Z-300 units

Instead of receiving transfer to product Y from division A, Division B could buy similar product in the open market at a slight cheaper price of rs.45 per unit. What should the transfer price be for each unit for 300 units of Y, if the total labour hours available in a division are: a) 3,800 hours? b) 5,600 hours

16. The capital of Everest Co. Ltd is as follows:

9% Preference shares of Rs.10 each	3,00,000
Equity shares of Rs.10 each	8,00,000

The accountant has ascertained the following information:

Profit after tax at 60%	Rs.2,70,000
Depreciation	60,000
Equity Dividend paid	20%
Reserves	Rs. 77,000
Market price per equity share	Rs. 40

Calculate

(a) Dividend yield on equity shares (b) Cover for preference dividends
(c) Earnings per share (d) the price earnings ratio
(e) Dividend payout ratio (f) Net cash inflow
(g) Book value per share.

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

20 Skilled men are at Rs.5 per hour for 40 hours.
40 Unskilled men are at Rs.3 per hour for 40 hours.

The actual employment was as under:

30 Skilled men are at Rs.5 per hour for 40 hours.
30 Unskilled men are at Rs.4 per hour for 40hours.

Calculate labour variances.

Section – C

Answer any TWO questions: **2 x 20 = 40**

18. The following are the summarized Balance Sheets of Alacrity & Co. as on 31st March 2014 and 2015.

Balance Sheets

Liabilities	2014 Rs.	2015 Rs.	Assets	2014 Rs.	1988 Rs.
Share capital	2,00,000	2,50,000	Land & Buildings	2,00,000	1,90,000
General reserve	50,000	60,000	Machinery	1,50,000	1,69,000
Profit & Loss A/c	30,500	30,600	Stock	1,00,000	74,000
Bank loan (long - term)	70,000	-	Debtors	80,000	64,200
			Cash	500	600
Sundry creditors	1,50,000	1,35,200	Bank	-	8,000
Provision for taxation	30,000	35,000	Goodwill	-	5,000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information:

(a) Dividend of Rs.23,000 was paid
(b) Assets of another company were purchased for a consideration of Rs.50,000 Payable in shares Stock - Rs.20,000, Machinery Rs.25,000
(c) Machinery was further purchased for Rs.8,000.
(d) Depreciation written off on machinery Rs.12,000.
(e) Income tax provided during the year Rs. 33,000.
(f) Loss on sale of machinery Rs.200 was written off to general reserve.

You are required to prepare the cash flow statements.

20. From the following particulars, prepare Trading, Profit and Loss Account and Balance Sheet.

Current ratio - 3; Liquid ratio - 1.8,Bank overdraft - Rs.20, 000; Working capital - Rs.2, 40,000, Debtor's velocity - 1 month; Gross profit ratio - 20%

Proprietary Ratio (Fixed assets / Shareholders' fund) - 0.9

Reserves and Surplus - 0.25 of share capital.

Opening stock - Rs.1, 20,000; 8%Debnetures - Rs.3, 60,000

Long - term investments - Rs.2, 00,000

Stock turnover ratio - 10 times; Creditors velocity - ½ month

Net profit to Share Capital - 20%

21. The standard cost of a certain chemical mixture is

40% Material A is at Rs.25 per kg.

60% Material B is 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 is at Rs.27 per kg.

260 kgs of Material B is at Rs.34 per kg.

The actual output was 360 kgs.

Compute all material variances

22. From the following particulars find out the profitable product mix and prepare a statement of profitability.

	Product A	Product B	Product C
Units produced and sold	1,500	2,000	1,000
Selling price per unit	Rs. 60	Rs. 55	Rs. 50
Requirement per unit:			
Direct material	5 kgs	3 kgs	4 kgs
Direct labour	4 hours	3 hours	2 hours
Variable overhead	Rs. 9	Rs. 14	Rs. 6
Fixed overhead	Rs. 5	Rs. 5	Rs. 5
Cost of direct material per kg	Rs. 4	Rs. 4	Rs. 4
Direct wages per hour	Rs. 2	Rs. 2	Rs. 2
Total availability of direct material		12,000 kgs	
Total availability of direct labour hours		10,000 hours	

At the products A, B and C are produced from the same direct material using the same type of machines. Consider both material and labour as key factors.

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