



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – NOVEMBER 2016

CO 1815 - ACCOUNTING FOR DECISION MAKING

Date: 08-11-2016
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

PART-A

Answer ALL questions.

(10 x 2 = 20)

1. What is the need to prepare Cash flow statement?
2. What are the items included in Contribution?
3. Explain the term ABC.
4. State the common characteristic of relevant cost.
5. Discuss the uses of Ratio Analysis.
6. Give any two differences between a Standard Costing and Standard Costing?
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. Calculate BEP from the following details.

Year	Sales Rs.	Profit	Loss
2006	2,40,000	-	20,000
2007	3,20,000	40,000	-

9. Write a formula of Debt Equity ratio.
10. A factory planned to produce 500 units of a product using 4000 labour hours costing Rs.40 each actually 450 units were produced by working 4,100 labour hours. Calculate Labor and Efficiency variance

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

11. What are the managerial uses of fund flow statement?
12. Discuss the Relevant Costing in detail.
13. Explain the methods of Transfer Pricing.
14. From the following details prepare balance sheet.

Long term loans	:	Rs.50,000
Working Capital	:	Rs.50,000
Reserves to Capital	:	1:2
Current Ratio	:	2 times
Liquid Ratio	:	1.4 times
Fixed asset to propriety ratio	:	0.6

There are no fictitious or intangible assets.

15. The following particulars are extracted from the books of Mr.K. Calculate cost per unit under ABC Analysis.

Product	Machine hrs/unit	Dir. lab hrs/unit	Annual output(Uts)	Total Mach.hrs	Total dir.labhr	No. of Purchase orders	No.of set ups
Prod. A	2	4	1,000	2,000	4,000	80	40
Prod. B	2	4	10,000	20,000	40,000	160	60
				22,000	44,000	240	100

The cost of activities as follows:

Volume related Rs.1,10,000, Purchase related Rs.1,20,000, Setup related Rs.2,10,000

16. Calculate funds from operations of X Ltd. from the following:

Profit & Loss A/c

	Rs.		Rs.
To Salaries	10,000	By Gross Profit	2,00,000
To Rent	3,000	By profit on Sale of	
To Commission	2,000	Machines	5,000
To Discount allowed	1,000	By Dividend	
To Provision for		received	2,000
Depreciation	14,000	By Refund of tax	3,000
To Transfer to General			
Reserve	20,000		
To Loss on sale of			
Investments	5,000		
To Provision for tax	10,000		
To Discount on issue of			
Debentures	2,000		
To Preliminary Expenses	3,000		
To Selling Expenses	20,000		
To Net Profit	1,20,000		
	2,10,000		2,10,000

17. The following data relate to a manufacturing company:

Plant capacity: 4,00,000 units per annum

Present utilisation : 40%

Actuals for the year 2000 were:

Selling Price : Rs.50 per unit

Material cost : Rs.20 per unit

Variable manufacturing costs : Rs.15 per unit

Fixed costs : Rs.27 lakhs

In order to improve capacity utilisation the following proposals are considered:

Reduce selling price by 10%.

Spend additionally Rs.3lakhs on sales promotion.

How many units should be sold to earn a profit of Rs.5 lakhs per year.

PART-C

Answer any TWO questions.

(2 x 20 = 40)

18. Following are the comparative balance sheets of Cheran Company Ltd.

Liabilities	31-12-93	31-12-94	Assets	31-12-	31-12-94
	Rs.	Rs.		93	Rs.
				Rs.	

Share capital	70,000	74,000	Bank Balance	9,000	-
Debentures	12,000	6,000	Accounts receivable	14,900	17,700
Accounts payable	10,360	11,840	Stock in trade	49,200	42,700
Provision for doubtful debts	700	800	Buildings	20,000	40,600
P & L A/c	10,040	10,560	Goodwill	10,000	5,000
Bank overdraft	-	2,800			
	<u>1,03,100</u>	<u>1,06,000</u>		<u>1,03,100</u>	<u>1,06,000</u>

Additional Information:

- (a) Buildings were acquired for Rs. 20,600
- (b) Amount provided for amortisation of goodwill totalled Rs. 5,000.
- (c) Dividends paid totalled Rs. 3,500.
- (d) Debenture loan repaid was Rs. 6,000.

Explain how the overdraft of Rs. 2,800 as on 31st Dec. 1994 has arisen and prepare Cash Flow Statement as per AS-3.

19. 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 under :

- 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.

20. With the help of the following ratios regarding Iindu films draw the Balance Sheet of the Company for the year 1999.

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs. 3,00,000
Stock turnover ratio (cost 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	0.8 times
Reserve and Surplus to Capital	0.50

21. 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 units.