

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



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

FIRST SEMESTER – **NOVEMBER 2019**

PCO 1504 – ACCOUNTING FOR DECISION MAKING

Date: 07-11-2019
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

PART-A

Answer ALL questions.

(10 x 2 = 20)

01. Mention any four Financing Activities in Cash flow Statement.
02. Write down the main steps in Budgetary Control.
03. With what are objectives the Funds Flow Statement prepared?
04. What do you mean by Comparative Statements?
05. What are the advantages of Standard Costing?
06. Explain the concept of Transfer Pricing.
07. Fill the correct Cost Driver in the box

Activity	Cost Driver
Production orders	
Machine set ups	
Material receipt	
Quality testing	

08. Calculate BEP from the following Particulars.

Period	Sales (Rs.)	Profit (Rs.)
I	1, 20,000	9,000
II	1, 40,000	13,000

09. 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.

10. Current ratio 2.5; Working capital Rs.90,000. Calculate Current assets and Current liabilities.

PART – B

Answer any FOUR questions.

(4 x 10 = 40 Marks)

- 11 a) Discuss the concept of Relevant Costing and its characters
b) Explain the reasons for applying the Relevant Costing
c) Mention the different decisions of Relevant Costing in Managerial Decisions.
12. “Ratio Analysis is a tool of management for measuring efficiency and guiding business policies” - Discuss.

13. 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 a division (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) 3800 hours. b) 5600 hours

14. The cost of an article at a level capacity level of 5,000 units is given A under below. For a variation of 25% in

capacity above or below this level, the individual expenses vary as indicated under B below:

	A	B
	Rs.	
Material Cost	25,000	(100% Varying)
Labour Cost	15,000	(100 % Varying)
Power	1,250	(80% Varying)
Repairs and Maintenance	2,000	(75% Varying)
Stores	1,000	(100% Varying)
Inspection	500	(20% Varying)
Depreciation	10,000	(100% Varying)
Adm. Overheads	5,000	(25% Varying)
Selling Overheads	3,000	(25% Varying)
	62,750	

Cost per unit Rs.12.55

Find the unit cost of the product at production levels of 4,000 units and 6,000 units.

15. From the following prepare a statement showing changes in working capital during 1999.

Balance Sheets of Sree Ganesh Ltd., as on 31st December

Liabilities	1998 Rs.	1999 Rs.	Assets	1998 Rs.	1999 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 & Bank	80,000	60,000
			Preliminary expenses	20,000	15,000
	12,20,000	13,35,000		12,20,000	13,35,000

16. The standard cost of a certain chemical mixture is

- 40% Material A at Rs.25 per kg.
- 60% Material B 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 at Rs.27 per kg.
- 260 kgs of Material B at Rs.34 per kg.

The actual output was 360 kgs.

Compute all material variances.

17. From the following data, calculate 1. Labour Cost variance 2. Labour Rate variance
3. Labour Efficiency variance 4. Mix variance 5. Labour Sub - Efficiency variance.

	Standard		Actual	
	Hours	Rate	Hours	Rate
Skilled labour	10	3.00	9,000	4.00
Semi - skilled	8	1.50	8,400	1.50
Un - skilled	16	1.00	20,000	0.90

The actual production was 1,000 articles.

PART-C

Answer any ONE question.

(1 x 20= 20)

18. 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 Care produced from the same direct material using the same type of machines. Consider both material and labour as key factors.

19. From the following you are required to prepare balance sheet:

1. Current ratio	1.75
2. Liquid ratio	1.25
3. Stock turnover (Cost of sales / Closing stock)	9 times
4. Gross profit ratio	25%
5. Debts collection period	1 ½ months
6. Reserves and surplus to share capital	0.2
7. Turnover to fixed assets (based on Cost of sales)	1.2
8. Capital gearing ratio	0.5
9. Fixed assets to net worth	1.25
10. Sales for the year	Rs. 12,00,000

20. A company produces three products A, B and C, with standard costs and quantities per unit are as follows:

	Product A	Product B	Product C
Quantity produced	10,000 Nos	20,000 Nos	30,000 Nos.

Direct material per unit	Rs.50	Rs.40	Rs.30
Direct labour per unit	Rs.30	Rs.40	Rs.50
Labour hours required per unit	3 hours	4 hours	5our hs
Machine hours required per unit	4 hours	4hours	7 hours
Number of purchase requisitions	1,200 Nos	1,800 Nos.	2,000 Nos.
Number of set ups	240 Nos.	260 Nos.	300s.

i) Production overhead split by department: department 1- Rs.11,00,000 and department 2 - Rs.15,00,000.

ii) Department 1 is labour intensive and department 2 is machine intensive

Total labour hours in department 1 - 1,83,333 while total machine hours In department 2 - 5,00,000.

ii) Product overhead split by activity: receiving / inspecting = Rs.14,00,000

iv) Production scheduling / machine set up = Rs.12,00,000

v) Number of butches for scheduling and set up = 800

You are required to prepare Cost Statement under

A) Traditional Absorption Costing and B) Activity Based Costing Method

PART- D

Compulsory Question

(1 x 20 = 20)

21. Prepare Cash flow Statement as per AS-3under Indirect Method from the income statement and Balance Sheets given below:

Income Statement for the year 2019

Particulars	Rs.	Rs.
Sales		12,60,000
Less: Cost of Sales	9,90,000	
Depreciation	30,000	
Wages and Salaries	1,20,000	
Other operating expenses	40,000	
Provision for Tax	44,000	
		12,24,000
		36,000
Add: Profit on Sale of Equipment		6,000
Operating Profit		42,000
Add: P & L A/c Balance B/Fd		75,900
		1,17,900
Less: Dividend paid		36,000
Balance of P & L A/c Carried to Balance Sheet		81,900

Balance Sheets as on 31-03-2018 and 31-03-2019

Liabilities	31-3-2018 Rs.	31-3-2019 Rs.	Assets	31-3-2018 Rs.	31-3-2019 Rs.
Share capital	1,80,000	2,22,000	<u>Fixed Assets:</u>		
P & L A/c	75,900	81,900	Land	24,000	48,000
Creditors	1,20,000	1,17,000	Equipment	1,80,000	2,88,000
Outstanding			<u>Current Assets:</u>		
expenses	12,000	24,000	Cash	30,000	36,000
Income Tax payable	6,000	6,600	Debtors	84,000	93,000
Depreciation Prov. on equipment	60,000	66,000	Stock	1,32,000	48,000
			Advances	3,900	4,500
	4,53,900	5,17,500		4,53,900	5,17,500

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Cost of Equipment sold was Rs. 36,000
