STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019 – 2020)
SUBJECT CODE: 19CM/PC/AD14

M.Com. DEGREE EXAMINATION NOVEMBER 2019
COMMERCE
FIRST SEMESTER

COURSE : MAJOR CORE
PAPER : ACCOUNTING FOR DECISION MAKING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

ANSWER ANY SIX QUESTIONS: **(6 x 10 = 60)**

1. What is meant by Life Cycle Costing? Discuss its features and importance.
2. Discuss various types of Standards.
3. Explain the steps in the implementation of Performance Budgeting.

4. From the following balances and additional information, you are required to prepare Statement of Profit and Loss of Vincent Company Limited for the year ended 31-12-2018

	Rs.		**Rs.**
Opening Stock	1,00,000	Plant	3,61,000
Purchases	4,00,000	Furniture	34,200
Wages	1,40,000	Bad debts	6,400
Discount Allowed	8,400	Sales	6,50,000
Insurance (Upto 31.3.2019)	13,440	Discount received	6,300
Salaries	37,000	Bonus	21,000
Rent	12,000	Advertisement	12,400
General expenses	17,900		

Additional Information:
(a) Closing stock was valued at Rs.3,83,000
(b) Plant and Furniture be depreciated by 15% and 10% respectively.
(c) A tax provision of Rs.16,000 is considered necessary.

5. (a) A factory can sell 20,000 units of its product in the home market at Rs.20 each. The marginal cost is Rs.14 per unit and the fixed overheads Rs. 60,000. It can also sell another 10,000 units in the foreign market at Rs.16 per unit. The additional cost for export is Re.1 per unit. The total capacity of the factory is 35,000 units. Is the foreign market worth trying? (5 Marks)

   (b) An automobile manufacturing company finds that the cost of making Part No.888 in its own workshop is Rs.24. the same part is available in the market at Rs.22.40 within assurance of continuous supply. The cost data to make the part are:

Material	Rs. 8.00
Direct Labour	Rs.10.00
Other variable costs	Rs. 2.00
Fixed Cost allocated	Re. 4.00
Total	Rs. 24.00

   Should the company Make or Buy the part? (5 Marks)

…2

6. (a) From the following information, Calculate Funds from Operations:

	Rs.
Balance of Profit & Loss Account on 31st December2018	1,50,000
Balance of Profit & Loss Account on 31st December 2017	1,00,000
(a) Depreciation charged on assets	10,000
(b) Preliminary expenses written off	5,000
(c) Amount transferred to General Reserve	15,000
(d) Sale price of a machine (Book value of Rs.60,000)	65,000
(e) Interim dividend paid	10,000

(**5** Marks)

(b) Compute (1) Payout Ratio and (2) Retained Earnings Ratio from the following data:

	Rs.
Net Profit	10,000
Provision for taxation	5,000
Preference dividend	2,000
No. of equity shares	3,000
Dividend Per Equity share	0.40

(**5** Marks)

7. From the following data, calculate:
   (1) Labour Cost Variance
   (2) Labour Rate Variance &
   (3) Labour Efficiency Variance

   Budgeted labour for completing Job 'X':
   8 Skilled workers at Rs.10 per hour for 20 hours
   12 Unskilled workers at Rs.8 per hour for 20 hours

   Actual labour for completing job 'X':
   12 Skilled workers at Rs.11 per hour for 20 hours
   13 Unskilled workers at Rs.7 per hour for 20 hours

8. From the following information, prepare a Cash Budget for three months from April to June indicating the extent of bank facilities the company will require at the end of each month:

	Sales Rs.	Purchases Rs.	Wages Rs.
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

Additional information:
(a) 50% of credit sales are realized in the month following sales and the remaining 50% in the second month following.
(b) Creditors are paid in the month following the month of purchase.
(c) Wages are paid on the 1st of next month.

Cash at Bank on 1st April Rs.25,000

SECTION – B

ANSWER ANY TWO QUESTIONS: (2 x 20 = 40)

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

Particulars	Product	
	X (per unit) Rs.	**Y** (per unit) Rs.
Selling price	200	500
Material(Rs.20 per Kilogram)	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

10. The following are the balance sheets of Amudha Limited on 31st December 2017 and 2018:

Liabilities	2017 Rs.	2018 Rs.	Assets	2017 Rs.	2018 Rs.
Equity Share capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit and Loss a/c	16,000	13,000	Plant	37,000	36,000
Sundry Creditors	8,000	5,400	Investments	10,000	11,000
Bills Payable	1,200	800	Stock	30,000	23,400
Provision for Taxation	16,000	18,000	Bills Receivable	2,000	3,200
Provision for bad debts	400	600	Debtors	18,000	19,000
			Cash at Bank	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

Additional information:

(i) Depreciation charged on plant was Rs.4,000 and on Building was Rs.4,000.
(ii) Provision for taxation of Rs.19,000 was made during the year 2018.
(iii)Interim dividend of Rs.8,000 was paid during the year 2018.

You are required to prepare:

(a) A schedule of changes in Working Capital and
(b) A Funds Flow statement

11. From the following data, calculate:

(1) Material Cost Variance
(2) Material Price Variance
(3) Material Usage Variance
(4) Material Mix Variance

Material	Standard		Actual	
	Units	Price (Rs.)	Units	Price (Rs.)
A	8,000	1.05	7,500	1.20
B	3,000	2.15	3,300	2.30
C	2,000	3.30	2,400	3.50

12. The expenses for budgeted production of 10,000 units in a factory are furnished below:

	Per Unit Rs.
Materials	70
Labour	25
Variable expenses(Direct)	5
Variable Overhead	20
Fixed Overhead (Rs.1,00,000)	10
Administration expenses (Rs.50,000)	5
Selling expenses (10% Fixed)	13
Distribution expenses (20% Fixed)	7
Total Cost per unit (to make and sell)	**155**

Prepare a budget for production of:
(a) 8,000 units and
(b) 6,000 units indicating cost per unit at both the levels.
Assume that administration expenses are fixed for all levels of production.

****