

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 - JANUARY 2021

COMMERCE

FIRST SEMESTER

COURSE: MAJOR CORE

PAPER : ACCOUNTING FOR DECISION MAKING

TIME : 90 Minutes

MAX. MARKS: 50

SECTION – A

ANSWER ANY THREE QUESTIONS

(3x10=30)

1. Explain the features importance and applications of Target costing
2. a) The Ratios relating to company are given below:  
Gross profit – 15% of sales  
Stock velocity – 6 months  
Debtor's velocity – 3 months  
Gross profit for the year ending 31, dec.2002 amounting to Rs. 60,000 .Closing Stock is equal to opening Stock .Find out a. Sales b. closing Stock c. Sundry Debtors.

- b) The sales turnover and profit during two years were as follows:

Year	Sales (Rs.)	Profit (Rs.)
2001	1,40,000	15,000
2002	1,62,000	20,000

Calculate

- a) P/V Ratio
  - b) Break-even point
  - c) Sales required to earn a profit of Rs. 40,000
  - d) Fixed expenses and
  - e) Profit when sales are Rs. 1,20,000
3. A company expects to have Rs. 37,500 cash in hand on 1<sup>st</sup> April, and it is required to prepare an estimate of cash position during the three months, April, May and June. The following information is available:

(Amount In Rs.)	Sales	Purchases	Wages	Factory Expenses	Office Expenses
February	75,000	45,000	9,000	7,500	6,000
March	84,000	48,000	9,750	8,250	6,000
April	90,000	52,500	10,500	9,000	6,000
May	1,20,000	60,000	13,500	11,250	6,000
June	1,35,000	60,000	14,250	14,000	7,000

**Addition information:**

1. Period of credit allowed by suppliers 2 months
2. 20% of sales is for cash and period of credit allowed to customers for credit is one month.
3. Delay in payment of all expenses – 1 month
4. Income tax of Rs. 57,500 is due to be paid on June 15<sup>th</sup>

5. The company is to pay dividends to shareholders and bonus to workers of Rs. 15,000 and Rs. 22,500 respectively in the month of April
4. a) The following extracts of cost information relate to commodity A for the half-year ending on 31<sup>st</sup> December 2013:

	Rs.		Rs.
Purchase of raw materials	1,20,000	Work Overheads	48,000
Direct wages	1,00,000	Carriage on purchases	1,440
Stock 1 <sup>st</sup> July 2013		Stock 31 <sup>st</sup> Dec 2013	
Raw materials	20,000	Raw materials	22,240
Finished products (1000 tons)	16,000	Finished products (2000 tons)	32,000
WIP 1 <sup>st</sup> July 2013	4,800	WIP 31 <sup>st</sup> Dec 2013	
16,000			
Sales – finished products	3,00,000		

Selling and distribution overheads are Re 1 per ton sold. During the period, 16,000 tons of commodities were produced. Prepare Cost-sheet

- b) The standard rate and time for unit component are given below :

Standard hours :20	Standard rate Rs. 5 per hour		
Actual production	1,000 units		
Actual hours	20,500	Actual rate	Rs. 4.80 per hour

Calculate (i) Labour Cost Variance, (ii) Labour Efficiency Variance, and (iii) Labour Rate Variance

### SECTION-B

#### ANSWER ANY ONE QUESTION

(1x20=20)

5. The following is the comparative balance sheet of PA &CO Ltd. As on 30/06/2014 and 30/06/2015

Liabilities	31/12/2014	31/12/2015	Assets	31/12/2014	31/12/2015
Share Capital	180000	200000	Goodwill	24000	20000
Reserve Fund	28000	36000	Buildings	80000	72000
P&L	39000	24000	Machinery	74000	72000
Trade	16000	10800	Investment	20000	22000
creditors					
Bank OD	12400	2600	Inventories	60000	50800
Provision for	32000	34000	Debtors	40000	44400
Taxation					
Provision for	3800	4200	Cash	13200	30400
doubtful					
debts					
Total	311200	311600	Total	311200	311600

Additional Information:

- (i) Depreciation charged on machinery Rs. 10000 and on building Rs. 8000
- (ii) Investments sold during the year Rs. 3000
- (iii) Rs. 15000 interim dividend paid during January 2005
- (iv) Taxes paid during the year Rs.30000
- (v) Prepare (a) A statement of changes in working capital  
(b) A fund flow statement

b) Compute 'Cash from operating activities from the following figures; Profits for the year 2016 is a sum of Rs. 10000 after providing for depreciation of Rs. 2000.

Particulars	2015	2016
Sundry Debtors	10000	11000
Provision for doubtful debts	1000	1200
Bills receivable	4000	3000
Bills payable	5000	6000
Sundry creditors	8000	9000
Inventories	5000	8000
Short-term investments	10000	12000

6. "A" Ltd. was registered with an authorized capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its Trial Balance on 31<sup>st</sup> March 2012.

Particulars	Trial Balance of 'A' Ltd.	
	Dr. Rs.	Cr. Rs.
Goodwill	75,000	
Cash	750	
Bank	39,900	
Purchases	1,85,000	
Preliminary expenses	5,000	
Share capital		4,00,000
12% Debentures		3,00,000
P & L Account (Cr.)		26,250
Calls in Arrears	7,500	
Premises	3,00,000	
Plant & Machinery	3,30,000	
Bills receivable	39,250	4,55,000
Sales		
Stock (1-4-11)	75,000	
Fixtures	7,200	
Sundry Debtors	87,000	
Wages	84,865	
General expenses	6,835	
Freight & Carriage	13,115	
Salaries	14,000	
Director's fees	5,725	
Bad debts	2,110	
Interim Dividend	18,000	
Bills payable		37,000
Sundry Creditors		40,000
General Reserve		25,000
Rent received		3,500
	12,96,750	12,96,750

Prepare the final accounts after making the following adjustments.

- a) Depreciate the plant and machinery by 15%
- b) Write off Rs.2,500 from preliminary expenses.
- c) Provide for one years interest on debentures.
- d) Proposed dividends on equity shares 10%.
- e) Provide for Income Tax Rs1,00,000.
- f) Stock on 31<sup>st</sup> March 2012 was Rs. 95,000.

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