

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

COURSE CODE: 19CM/PC/AD14

M.COM DEGREE EXAMINATION – NOVEMBER 2021

COMMERCE – SHIFT II

COURSE : MAJOR – CORE

PAPER : ACCOUNTING FOR DECISION MAKING

TIME : 3 HOURS

MAX. MARKS:100

SECTION A

ANSWER ANY THREE QUESTIONS

(3X20=60)

1. a. Write short notes on Target costing and Back flush costing with suitable examples  
b. Explain the meaning, role and objectives of Budgetary control
2. a.. The expenses for the budgeted production of 10,000 units in a factory are as follows:

(Amount in Rs. Per unit)			
Material	70	Labour	30
Variable Overheads	20	Fixed Overheads (Rs. 1,00,000)	10
Variable Expenses (Direct)	5	Selling Expenses (10% Fixed)	13
Distribution Expenses (20% Fixed)	7	Admn Expenses (Rs. 50,000)	5
Total Cost per unit (to make and sell) 160			

Prepare a budget for production of (a) 5000units and (b) 7,000 units, and (c) indicated cost per unit at both the level

- b. Debtors velocity-3 months

Creditors Velocity – 2 months

Stock velocity - 8 times

Bills payables – Rs.4,000

Bills Receivables – Rs. 10,000

Total sales – Rs.2,40,000

The closing stock is Rs.2,000 more than the opening stock .Gross Profit is Rs.40,000

There are no cash sales and cash purchases , and the accounting year consist of 360 working days.

Calculate

a. Sundry debtors

b. Sundry creditors

c. Closing stock.

3. a. From the following balance sheet of a company, prepare a Cash flow Statement

BALANCE SHEETS

Liabilities	2019	2020	Assets	2019	2020
Capital	20000	25000	Cash	3000	4700
Creditors	7000	4500	Stock	8000	9000
P&L	1000	2300	Debtors	12000	11500
			Stock	8000	9000
Total	28000	31800	Total	28000	31800

- b. The standard material and standard cost per kg of material required for the production of one unit of product A is as follows:

Material	5 kg	Standard Price	Rs. 5 per kg
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The actual production and related material data are:

400 units of Product A      Material used 2,200 kg

Actual Price of Material Rs. 4.80 per Kg

Calculate: a) Material cost variance, b) material usage variance and  
c) Material price variance.

4. a. The following data relate to the manufacture of a product during the month of January.

Raw materials consumed	Rs. 80,000	Direct wages	Rs. 48,000
Machine hours worked	8,000	Machine hour rate	Rs. 4
Office overhead	10% of works cost	Selling overhead	Rs. 1.50 per unit
Units produced	4,000	Units sold	3,600 at Rs. 50 each

Prepare a cost sheet and show (a) cost per unit and (b) profit for the period.

- b. The following particulars are taken from the records of a company manufacturing two products X and Y from a certain raw material:

	Product X (Rs. per unit)	Product Y (Rs. per unit)
Sales	125.00	250.00
Material cost (Rs. 2.5 per kg)	25.00	62.50
Wages (Rs. 15 per hour)	37.50	75.00
Variable overhead	12.50	25.00

Total fixed overheads Rs. 50,000.

Comment on the profitability of each product when

- Total availability of raw material is 20,000 kgs and maximum sales potential of each product is 1,000 units. Find the product mix to yield maximum profit. Determine the maximum profit.
- Total sales in value is limited.
- Labour time is limited, and
- Production capacity in units is a key factor.

**SECTION B****ANSWER ANY ONE QUESTION****(1X40=40)**

5.a. From the following Balance- sheets of A Ltd prepare a Fund Flow statement.

Liabilities	31/12/2019	31/12/2020	Assets	31/12/2019	31/12/2020
Share Capital	600000	700000	Fixed Assets	800000	950000
General Reserve	200000	250000	Investments	180000	180000
Profits on sale of Investment	-	10000	Stock	200000	270000
P&L	100000	200000	Debtors	225000	245000
7% Debentures	300000	200000	Bills Received	40000	65000
Creditors	160000	250000	Prepaid Expenses	10000	12000
Bills Payable	10000	12000	Discount on Debentures	15000	10000
Proposed Dividend	30000	35000			
Provision for Taxation	70000	75000			
<b>Total</b>	<b>1470000</b>	<b>1732000</b>	<b>Total</b>	<b>1470000</b>	<b>1732000</b>

**Additional Information:**

- (a) During 2020 fixed assets (Book Value Rs. 10000 and Depreciation written off Rs. 30000) were sold for Rs. 8000
- (b) During 2020 investments costing Rs. 80000 were sold and new investments were bought for Rs. 80000
- (c) Debentures were redeemed at a premium of 10%
- (d) During 2020 income tax paid was Rs. 55000.
- (e) Provision for depreciation 31/12/2019 Rs. 200000; 31/12/2020 Rs. 250000

- b. A gang of workers normally consists of 10 men, 5 women and 5 boys, paid at standard hourly rates of Rs. 4, Rs. 3, and Rs. 2.0, respectively. In a normal working week of 40 hrs., the gang is expected to produce 1,000 units of output.

In a certain week, the gang consisted of 13 men, 4 women and 3 boys, and work was done for 72 hrs, actual wages paid amounted to Rs. 2,500, and 1,000 units of output were produced. Calculate the various labour variances.

- 6.a. A company's cash balance on 1<sup>st</sup> of April was Rs. 37,500. From the following information prepare a cash budget for the 3 months April, May and June of the year.

Month	Sales (Rs.)	Purchases(Rs.)	Wages(Rs.)
February	75,000	45,000	27,000
March	84,000	48,000	28,500
April	90,000	52,500	30,750
May	1,20,000	60,000	37,320
June	1,35,000	60,000	42,250

Further information:

- a) Period of credit allowed by suppliers – 2 months

- b) 20% sales is for cash and period of credit allowed to debtors – 1 month
- c) Delay in payment of wages – 1 month
- d) Income tax of Rs.57,500 is due to be paid on 15<sup>th</sup> of June every year.
- e) The dividends payable Rs.15,000 and bonus payable Rs.22,500 in April.
- f) Plant costing Rs.1,20,000 ordered and to be paid in May.

b. Breton & Co Ltd. has an authorized capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs. 100 each. On March 31, 2018, 2,500 shares were fully called up.

The following are the balances extracted from the Ledger of the company on 31<sup>st</sup>

March 2018	(Amount in Rupees)	
Stock	50,000	Advertising 3,800
Sales	4,25,000	Bonus 10,500
Purchases	3,00,000	Debtors 38,700
Wages (Productive)	70,000	Creditors 35,200
Discount allowed	4,200	Plant and machinery 80,500
Discount received	3,150	Furniture 17,100
Insurance up to 30 Jun '08	6,720	Cash and Bank 34,700
Salaries	18,500	Reserve 25,000
Rent	6,000	Loan from Managing Directors 15,700
General Expenses	8,950	Bad debts 3,200
Profit & Loss A/c	6,220	Calls in arrears 5,000
Printing and stationery	2,400	

Prepare the Profit & Loss Account along with the necessary schedules for the year ended March 31, 2018.

The following additional information is given :

- a) Closing stock Rs. 91,500
- b) Depreciation to be charged on plant and machinery and furniture at 15% and 10%, respectively
- c) Outstanding liabilities: Wages – Rs. 5,200, Salary – Rs. 1,200 and Rent – Rs. 600
- d) Dividend @ 3% on paid-up share capital is to be provided. e) Tax rate 50%