

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86**  
(For candidates admitted from the academic year 2023 – 2024)

**M.COM DEGREE EXAMINATION, NOVEMBER 2023**  
**COMMERCE DEPARTMENT**  
**FIRST SEMESTER**

**COURSE : CORE**  
**PAPER : ACCOUNTING FOR DECISION MAKING**  
**SUBJECT CODE : 23CM/PC/AD14**  
**TIME : 3 HOURS**

**MAX. MARKS: 100**

Q. No.	SECTION A Answer the following.	(4 x 5 = 20)	CO	KL								
1	What is Ind AS and to which companies Ind AS applies?		1	K1								
2	Explain the need and importance of Budgetary Control.		2	K2								
3	When is Backflush Costing Used?		1	K1								
4	Discuss the advantages of Activity Based Costing.		2	K2								
Q. No.	SECTION B Answer the following.	(4x 10 = 40)	CO	KL								
5	<p>A) The following figures have been taken from the books of M Ltd. as on 31.12.2019</p> <p>Stock of Raw Materials on 1.1.2019 Rs. 35,000 Stock of Raw Materials on 31.12.2019 Rs. 5,000 Purchase of Materials Rs. 50,000 Factory Wages Rs. 45,000 Factory Expenses Rs. 17,500 Establishment Expenses Rs. 10,000 Finished Stock on 1.1.2019 Rs. 15,000 Finished stock on 31.12.2019 Rs. 7,500 Sales Rs. 2,00,000</p> <p>The Company manufactured 4000 units during the year 2019. The company is required to quote for the price for supply of 1000 units during the year 2020.</p> <p>The cost of material will increase by 15% and factory labour will cost more by 10% in the year 2020.</p> <p>Prepare a statement showing the price to be quoted to give the same percentage of net profit on sales as was realized during 2019.</p> <p style="text-align: center;">(OR)</p> <p>B) Assuming that the cost structure and selling prices remain the same in periods I and II, find out: a) Profit Volume Ratio; b) Fixed Cost; c) Break Even Point of Sales; d) Profit when sales are of Rs.1,00,000; e) Sales required to earn a profit of Rs.20,000; f) Margin of safety at a profit of Rs.15,000; and g) Variable cost in period II</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">Period</th> <th style="text-align: center;">Sales in Rs</th> <th style="text-align: center;">Profit in Rs</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">I</td> <td style="text-align: center;">1,20,000</td> <td style="text-align: center;">9,000</td> </tr> <tr> <td style="text-align: center;">II</td> <td style="text-align: center;">1,40,000</td> <td style="text-align: center;">13,000</td> </tr> </tbody> </table>	Period	Sales in Rs	Profit in Rs	I	1,20,000	9,000	II	1,40,000	13,000	3	K3
Period	Sales in Rs	Profit in Rs										
I	1,20,000	9,000										
II	1,40,000	13,000										
			4	K4								

6	<p>A) From the following information, calculate: 1. Gross Profit Ratio, 2. Current Ratio, 3. Liquid Ratio, 4. Net Profit Ratio, 5. Working Capital Ratio, 6. Debt equity ratio and 7. Return on investment.</p> <p>Revenue from operations Rs.25,20,000  Net Profit Rs.3,60,000  Cost of Revenue from operations Rs.19,20,000  Long term debts Rs.9,00,000  Trade Payables Rs.2,00,000  Average Inventory Rs.8,00,000  Current Assets (other than Inventory) Rs.7,60,000  Fixed Assets Rs.14,40,000  Current Liabilities Rs.6,00,000  Net Profit before interest and tax Rs.8,00,000</p> <p style="text-align: center;">(OR)</p> <p>B) The XYZ Ltd manufactures a particular product, the standard direct labour cost of Rs.120 is arrived as follows:</p> <table border="1" data-bbox="363 829 1320 1018"> <thead> <tr> <th>Grade of workers</th> <th>Hours per unit of output</th> <th>Rate per hour (Rs.)</th> <th>Amount Rs.</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>30</td> <td>2</td> <td>60</td> </tr> <tr> <td>B</td> <td>20</td> <td>3</td> <td>60</td> </tr> <tr> <td></td> <td>50</td> <td></td> <td>120</td> </tr> </tbody> </table> <p>In a particular period, 100 units of the product were produced. The actual cost of which was follows:</p> <table border="1" data-bbox="363 1092 1289 1281"> <thead> <tr> <th>Grade of workers</th> <th>Hours per unit of output</th> <th>Rate per hour (Rs.)</th> <th>Amount Rs.</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>3200</td> <td>1.5</td> <td>4,800</td> </tr> <tr> <td>B</td> <td>1900</td> <td>4</td> <td>7,600</td> </tr> <tr> <td></td> <td>5100</td> <td></td> <td>12,400</td> </tr> </tbody> </table> <p>You are required to calculate the: 1) Total labour variance, 2) Labour rate variance, 3) Labour efficiency variance and 4) Labour Mix variance.</p>	Grade of workers	Hours per unit of output	Rate per hour (Rs.)	Amount Rs.	A	30	2	60	B	20	3	60		50		120	Grade of workers	Hours per unit of output	Rate per hour (Rs.)	Amount Rs.	A	3200	1.5	4,800	B	1900	4	7,600		5100		12,400	3	K3
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7	<p>A) The standard cost of a chemical mixture is 8 kg of material A at Rs.40 per kg, 12 kg of material B at Rs.60 per kg and Standard yield is 90% of input. Actual cost for period is as under:  10 kg of material A at Rs.30 per kg :20 kg of material B at Rs.68 per kg and the actual yield is 26.5 kg.  Compute: a) The material cost variance, b) The material price variance, c) The material usage variance, d) The material mix variance, e) The material yield variance.</p> <p style="text-align: center;">(OR)</p> <p>B) Prepare a flexible budget for overheads on the basis of the following data. Ascertain overhead rates at 50%, 60% and 70% capacity.</p>	3	K3																																
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	<table border="1"> <tbody> <tr> <td>Particulars</td> <td>At 60% capacity</td> </tr> <tr> <td>Indirect material</td> <td>Rs. 6,000</td> </tr> <tr> <td>Indirect labour</td> <td>Rs. 18,000</td> </tr> <tr> <td>Semi variable overheads</td> <td></td> </tr> <tr> <td>Electricity (40% fixed, 60% variable)</td> <td>Rs. 30,000</td> </tr> <tr> <td>Repairs (80% fixed, 20% variable)</td> <td>Rs. 3,000</td> </tr> <tr> <td>Fixed overheads</td> <td></td> </tr> <tr> <td>Depreciation</td> <td>Rs. 16,500</td> </tr> <tr> <td>Insurance</td> <td>Rs. 4,500</td> </tr> <tr> <td>Salaries</td> <td>Rs. 15,000</td> </tr> <tr> <td>Total overheads</td> <td>Rs. 93,000</td> </tr> <tr> <td>Estimated direct labour hours</td> <td>1, 86,000</td> </tr> </tbody> </table>	Particulars	At 60% capacity	Indirect material	Rs. 6,000	Indirect labour	Rs. 18,000	Semi variable overheads		Electricity (40% fixed, 60% variable)	Rs. 30,000	Repairs (80% fixed, 20% variable)	Rs. 3,000	Fixed overheads		Depreciation	Rs. 16,500	Insurance	Rs. 4,500	Salaries	Rs. 15,000	Total overheads	Rs. 93,000	Estimated direct labour hours	1, 86,000		
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8	<p>A) i. You are management auditor of X Ltd., The managing director of the company seeks your advice on the following problems: The X Ltd produces a variety of produce on a machine No:99 working at full capacity. B has a selling price of Rs.50 and a marginal cost of Rs.30 per unit. A – 10 a component part could be mad., The supplier’s price is Rs.12.50 per unit. Should the company make or buy A-10?</p> <p>ii. The management of B Co Ltd are considering the sales budget for the next budget period. You are required to present to the management a statement showing</p> <p>a. The marginal cost of each product and</p> <p>b. To recommend which of the following sales mixes should be adopted</p> <ol style="list-style-type: none"> <li>1,800 units of X</li> <li>1,200 units of Y</li> <li>1,200 units of X and 400 units of Y</li> <li>900 units of X and 600 units of Y</li> </ol> <p>The chief accountant has ascertained the following information:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Product X</th> <th>Product Y</th> </tr> </thead> <tbody> <tr> <td>Direct material</td> <td>Rs. 10</td> <td>Rs. 12.50</td> </tr> <tr> <td>Selling price</td> <td>Rs. 30</td> <td>Rs. 50</td> </tr> <tr> <td>Direct Labour @ 25 paise per hour</td> <td>20 hours</td> <td>30 hours</td> </tr> <tr> <td>Variable overheads</td> <td colspan="2">100% of labour</td> </tr> <tr> <td>Fixed overheads</td> <td colspan="2">Rs. 10,000</td> </tr> </tbody> </table>	Particulars	Product X	Product Y	Direct material	Rs. 10	Rs. 12.50	Selling price	Rs. 30	Rs. 50	Direct Labour @ 25 paise per hour	20 hours	30 hours	Variable overheads	100% of labour		Fixed overheads	Rs. 10,000		3	K3						
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	<p>B) The following particulars are extracted from the records of a company</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Product A</th> <th>Product B</th> </tr> </thead> <tbody> <tr> <td>Sales per unit</td> <td>Rs. 100</td> <td>Rs. 120</td> </tr> <tr> <td>Consumption of material</td> <td>2 kg</td> <td>3 kg</td> </tr> <tr> <td>Material cost</td> <td>Rs. 10</td> <td>Rs. 15</td> </tr> <tr> <td>Direct wages</td> <td>Rs. 15</td> <td>Rs. 10</td> </tr> <tr> <td>Direct expenses</td> <td>Rs. 5</td> <td>Rs. 6</td> </tr> <tr> <td>Machine hours used</td> <td>3 hours</td> <td>2 hours</td> </tr> <tr> <td>Overhead expenses</td> <td></td> <td></td> </tr> <tr> <td>    Fixed</td> <td>Rs 5</td> <td>Rs. 10</td> </tr> <tr> <td>    Variable</td> <td>Rs. 15</td> <td>Rs. 20</td> </tr> </tbody> </table> <p>Direct wages per hour is Rs. 5.  Comment on the profitability of each product (both use the same raw material) when</p> <ol style="list-style-type: none"> <li>Total sales potential in units is limited</li> <li>Production capacity (in terms of machine hours) is the limiting factor</li> <li>Material is in short supply</li> <li>Sales potential in value is limited</li> </ol>	Particulars	Product A	Product B	Sales per unit	Rs. 100	Rs. 120	Consumption of material	2 kg	3 kg	Material cost	Rs. 10	Rs. 15	Direct wages	Rs. 15	Rs. 10	Direct expenses	Rs. 5	Rs. 6	Machine hours used	3 hours	2 hours	Overhead expenses			Fixed	Rs 5	Rs. 10	Variable	Rs. 15	Rs. 20		
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<b>Q. No.</b>	<b>SECTION C</b> <b>Answer any two questions.</b>	<b>(2 x 20 = 40)</b>	<b>CO</b>	<b>KL</b>																													
9	<p>A BC Ltd has given the following particulars. You are required to prepare a cash budget for the three months ending 31<sup>st</sup> December, 2022.</p> <table border="1"> <thead> <tr> <th>Months</th> <th>Sales Rs.</th> <th>Materials Rs.</th> <th>Wages Rs.</th> <th>Overheads Rs.</th> </tr> </thead> <tbody> <tr> <td>August</td> <td>20,000</td> <td>10,200</td> <td>3,800</td> <td>1,900</td> </tr> <tr> <td>September</td> <td>21,000</td> <td>10,000</td> <td>3,800</td> <td>2,100</td> </tr> <tr> <td>October</td> <td>23,000</td> <td>9,800</td> <td>4,000</td> <td>2,300</td> </tr> <tr> <td>November</td> <td>25,000</td> <td>10,000</td> <td>4,200</td> <td>2,400</td> </tr> <tr> <td>December</td> <td>30,000</td> <td>10,800</td> <td>4,500</td> <td>2,500</td> </tr> </tbody> </table>	Months	Sales Rs.	Materials Rs.	Wages Rs.	Overheads Rs.	August	20,000	10,200	3,800	1,900	September	21,000	10,000	3,800	2,100	October	23,000	9,800	4,000	2,300	November	25,000	10,000	4,200	2,400	December	30,000	10,800	4,500	2,500	5	K5
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	<ol style="list-style-type: none"> <li>Credit terms are:  Sales/Debtors – 10% sales are on cash basis, 50% of the credit sales are collected next month and the balance in the following month.  Creditors – Materials 2 Months, Wages 1/5 month and Overheads 1.2 month.</li> <li>Cash balance on 1/10/2022 is expected to be Rs.8,000.</li> <li>A machinery will be installed in August 2022 at cost of Rs.1,00,000.</li> <li>The monthly installment of Rs.5,000 is payable from October onwards.</li> <li>Dividend at 10% on preference share capital of Rs.3,00,000 will be paid on 1<sup>st</sup> December, 2022.</li> <li>Advance to be received for sale of vehicle Rs.20,000 in December.</li> <li>Advance Income Tax to be paid in December Rs.5,000</li> </ol>																																

10	Balance Sheet of XYZ Ltd as at 31 <sup>st</sup> March, 2018 is given below:				5	K5
	Particulars	Notes to a/c	31 <sup>st</sup> March, 2018 Rs.	31 <sup>st</sup> March, 2017 Rs.		
	<b>I Equity and Liabilities</b>					
	1) Shareholder's Funds					
	a) Share Capital	1	4,50,000	4,50,000		
	b) Reserves and Surplus		3,78,000	3,56,000		
	2) Non-Current Liabilities:					
	Long term Borrowings: Mortgage Loan		2,70,000	-----		
	3) Current Liabilities					
	a) Trade Payable		1,34,000	1,68,000		
b) Short term Provisions: Provision for tax		10,000	75,000			
		12,42,000	10,49,000			
<b>II Assets</b>						
1. Non-Current Assets						
a) Fixed Assets (Tangible)		3,20,000	4,00,000			
b) Non-current investments		60,000	50,000			
2. Current Assets						
a) Current Investments		17,000	19,000			
b) Inventories		2,10,000	2,40,000			
c) Trade Receivables		4,55,000	2,10,000			
d) Cash and Cash Equivalents		1,80,000	1,30,000			
		12,42,000	10,49,000			
<b>Notes to Accounts</b>						
Particulars		31/3/2018 Rs.	31/3/2017 Rs.			
General Reserve		3,10,000	3,00,000			
Surplus i.e Balance in Statement of profit and Loss		68,000	56,000			
		3,78,000	3,56,000			
<b>Additional Information:</b>						
<ol style="list-style-type: none"> <li>Investments costing Rs.8,000 were sold during the year for Rs.8,500.</li> <li>Provision for tax made during the year was Rs.9,000.</li> <li>During the year, part of the fixed assets costing R.10,000 was sold for Rs.12,000 and the gain (profit) was included in the statement of profit and loss.</li> <li>Interim dividend paid during the year amounted to Rs.40,000.</li> </ol> Prepare Cash Flow Statement.						

11	<p>Koma Ltd is a company with a authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs,100 each. On 31.12.2019, 2,500 shares were fully called up. Following balances were extracted from the ledger of the company as on 31.12.2019.</p> <table border="1" data-bbox="269 352 1336 989"> <thead> <tr> <th>Particulars</th> <th>Amount(Rs)</th> <th>Particulars</th> <th>Amount(Rs)</th> </tr> </thead> <tbody> <tr> <td>Stock</td> <td>50,000</td> <td>Advertisement</td> <td>3,800</td> </tr> <tr> <td>Sales</td> <td>4,25,000</td> <td>Bonus</td> <td>10,500</td> </tr> <tr> <td>Purchases</td> <td>3,00,000</td> <td>Debtors</td> <td>38,700</td> </tr> <tr> <td>Productive wages</td> <td>70,000</td> <td>Creditors</td> <td>35,200</td> </tr> <tr> <td>Discount allowed</td> <td>4,200</td> <td>Plant &amp; Machinery</td> <td>80,500</td> </tr> <tr> <td>Discount Received</td> <td>3,150</td> <td>Furniture</td> <td>17,100</td> </tr> <tr> <td>Insurance up to 31.03.10</td> <td>6,720</td> <td>Cash and Bank balance</td> <td>1,34,700</td> </tr> <tr> <td>Salaries</td> <td>18,500</td> <td>Reserves</td> <td>25,000</td> </tr> <tr> <td>Rent</td> <td>6,000</td> <td>Loan from Managing Director</td> <td>15,700</td> </tr> <tr> <td>General expenses</td> <td>8,950</td> <td>Bad debts</td> <td>3,200</td> </tr> <tr> <td>Profit and Loss account</td> <td>6,220</td> <td>Calls in arrears</td> <td>5,000</td> </tr> <tr> <td>Printing and Stationery</td> <td>2,400</td> <td></td> <td></td> </tr> </tbody> </table> <p>Additional information:</p> <ol style="list-style-type: none"> <li>Closing stock Rs.91,500;</li> <li>Provide for depreciation @ 15% on Plant and Machinery and 10% on furniture.</li> <li>Outstanding liabilities: wages Rs 5,200; Salary Rs 1,200 and rent Rs 600</li> <li>Provide 5% dividend of paid-up share capital.</li> </ol> <p>You are required to prepare statement of profit and loss account for the year ended 31.12.2019 and balance sheet on that date with notes to accounts.</p>	Particulars	Amount(Rs)	Particulars	Amount(Rs)	Stock	50,000	Advertisement	3,800	Sales	4,25,000	Bonus	10,500	Purchases	3,00,000	Debtors	38,700	Productive wages	70,000	Creditors	35,200	Discount allowed	4,200	Plant & Machinery	80,500	Discount Received	3,150	Furniture	17,100	Insurance up to 31.03.10	6,720	Cash and Bank balance	1,34,700	Salaries	18,500	Reserves	25,000	Rent	6,000	Loan from Managing Director	15,700	General expenses	8,950	Bad debts	3,200	Profit and Loss account	6,220	Calls in arrears	5,000	Printing and Stationery	2,400			5	K5
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