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

B.COM DEGREE EXAMINATION, NOVEMBER 2024
ACCOUNTING AND FINANCE
THIRD SEMESTER

COURSE : MAJOR CORE
PAPER : TOOLS FOR MANAGERIAL DECISION MAKING
COURSE CODE : 23AF/MC/TD34
TIME : 3 HOURS MAX. MARKS: 100

<table>
<tr><th>Q. No.</th><th>SECTION A (5 x 2 =10)
Answer all questions</th><th>CO</th><th>KL</th></tr>
<tr><td>1</td><td>State any two differences between Management Accounting and Financial Accounting.</td><td>1</td><td>1</td></tr>
<tr><td>2</td><td>What is a Master Budget?</td><td>1</td><td>1</td></tr>
<tr><td>3</td><td>From the following information relating to the month of March, calculate the production volume ratio:
Budget Actual
Units produced 12000 12600
Hours worked 24000 26400</td><td>1</td><td>1</td></tr>
<tr><td>4</td><td>Calculate Fixed cost with the given information:
Sales – Rs. 1,00,000; Profit – Rs. 10,000; Variable cost – 70% of sales value.</td><td>1</td><td>1</td></tr>
<tr><td>5</td><td>From the following information, calculate P/V Ratio:
<table><tr><th>Year</th><th>Sales (Rs)</th><th>Profit (Rs)</th></tr><tr><td>2015</td><td>1,40,000</td><td>15000</td></tr><tr><td>2016</td><td>1,60,000</td><td>20000</td></tr></table></td><td>1</td><td>1</td></tr>
<tr><th>Q. No.</th><th>SECTION B (4 x 5 = 20)
Answer any 4 questions</th><th>CO</th><th>KL</th></tr>
<tr><td>6</td><td>Explain the purpose and uses of value-added statements.</td><td>2</td><td>2</td></tr>
<tr><td>7</td><td>An automobile manufacturing company finds that the cost of making Part No 208 in its own workshop is Rs 6. The same part is available in the market at Rs 5.60 with an assurance of continuous supply. The cost data to make the part are
Material Rs 2.00
Direct Labour Rs 2.50
Other variable cost Re 0.50
Fixed cost allocated Re 1.00
Should the company make or buy the product?</td><td>2</td><td>2</td></tr>
<tr><td>8</td><td>The labour budget of a company for a week is as under:
20 skilled men at Rs. 5 per hour for 40 hours
40 unskilled men at Rs. 3 per hour for 40 hours
The actual employment was as under:
30 skilled men at Rs. 5 per hour for 40 hours
30 unskilled men at Rs. 4 per hour for 40 hours
Calculate Labour Cost and Rate Variances.</td><td>2</td><td>2</td></tr>
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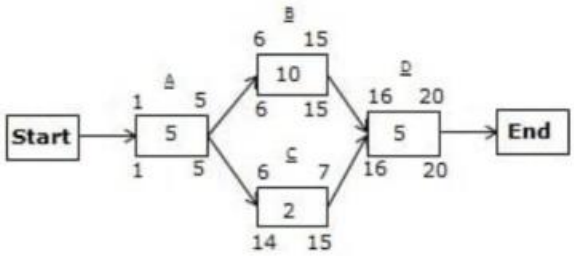
9	The information about Raj & Co. are given below: Profit volume Ratio – 20%; Fixed cost – Rs. 36,000; Selling price per unit – Rs. 150 Calculate: (a) BEP (in Rs.) (b) BEP (in units) (c) Variable cost per unit	2	2
10	The sales director of Alpha Ltd. Reports that next year he expects to sell 40000 units of a certain product. The production manager consults his store keeper and casts his figures as given below: Two kinds of raw materials A and B are required for manufacturing the product. Each unit of the product required 3 units of A and 2 units of B. The estimated opening balances at the commencement of the next year are: Finished product – 10000 units; A – 12000 units, B – 15000 units The desirable closing balances at the end of next year are: Finished product – 16000 units; A – 14000 units, B – 15000 units Draw up a material budget for the next year.	2	2
11	Calculate Float from the given Network Diagram: 	2	2
Q. No.	**SECTION C (4 x 10 =40)** **Answer the following questions**	**CO**	**KL**
12 a.	Metro Ltd., deals in electric goods and submits the following information with respect to the goods manufactured by it. Selling price per unit Rs. 5.00 Variable cost per unit Rs. 2.00 Fixed overheads Rs. 75,000 Units produced 75,000 The company is expected to reduce the selling price in order to meet the competition. You are required to calculate the level of output to maintain the present level of profit, if the proposed reduction in price is (a)10 percent and (b) 20 percent.	3	3
	(or)		
12 b.	The following are the operating details of two plants operating under the same management. Plant A: Sales Rs. 10,00,000; Variable cost Rs. 6,00,000; Fixed cost Rs. 2,00,000; Capacity of operation 100% Plant B: Sales Rs. 8,00,000; Variable cost Rs. 5,00,000; Fixed cost Rs. 1,00,000; Capacity of operation 50% It is proposed to merge both the plants.	3	3

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	You are required to ascertain: (a) Break even sales and break even capacity of the merged plant (b) Profit and profitability of operating the merged plant at 90% of the capacity (c) Capacity level of operation, if profit of Rs. 4,00,000 (the profit made by both plants before merger) has to be made by the merged plant.		
13 a.	A company produces one product and the standard cost card contains the following information. Budgeted Data / Actual Information Output for the month: 4,000 units / 4,400 units Fixed overhead: Rs. 24,000 / Rs. 26,000 Variable overhead: Rs. 24,000 / Rs. 34,000 Calculate: (a) Total overhead cost variance (b) Fixed overhead cost variance (c) Variable overhead cost variance	3	3
	(or)		
13 b.	From the following data calculate: (a) Expenditure variance (b) Efficiency variance (c) Capacity variance Budgeted labour hours – 4000 Standard direct hours for actual production – 4200 Actual direct labour hours – 4300 Actual labour expenses incurred: Variable – Rs. 4500 Fixed – Rs. 8500 Applied overhead rate: Rs. 3 per direct labour hour (of which Rs. 2 per hour being fixed overheads)	3	3
14 a.	From the following data, prepare a production budget for Kannan Co. Ltd. Stocks for the budgeted period: Product / As on 1st January / As on 30th June A: 8000 units / 10000 units B: 9000 units / 8000 units C: 12000 units / 14000 units Requirements to fulfil sales programme: A 60000 units B 50000 units C 80000 units Normal loss in production: A 4% B 2% C 6%	4	4
	(or)		
14 b.	A company produces a standard product. The estimated costs per unit are as follows: Raw materials Rs. 4, wages Rs. 2, Variable overhead Rs. 5 The semi-variable costs are: Indirect material – Rs. 235, Repair – Rs. 570, Indirect Labour – Rs. 156	4	4

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	The per unit variable costs included in semi-variable costs are as follows: Indirect material – Re. 0.05, Labour – Re. 0.08, Repairs – Re. 0.10 The fixed costs are: Factory Rs. 2000, Administration – Rs. 3000. Selling and distribution – Rs. 2500 The above costs are for 70% of normal capacity producing 700 units. The selling price is Rs. 20 per unit. Prepare flexible budget for 80% and 100% normal capacities from the above information.		
15 a.	Estimate the impact on Break-even Point of the following changes: (i) Variable cost increase by 10% (ii) Variable cost decrease by 50% and fixed cost increase by 30% Given particulars are below: Fixed cost – Rs. 15,000; Selling Price per unit – Rs. 15; Variable cost per unit – Rs. 9	4	4
	(or)		
15 b.	Tata Ltd. requests you to assist in deciding the purchase of a particular brand of machine, with the help of the following: Brand I Rs. / Brand II Rs. Depreciation and other fixed costs p.a. 50,000 / 15,000 Fuel and other operating expenses per unit 12.50 / 19.50 i. Which brand is preferable for the production of 4,500 units currently in demand? ii. If demand is expected to reach 8,000 units and increase further in future, which brand is better iii. Ascertain the range of output where each brand is more economical.	4	4
Q. No.	**SECTION D (2 x 15 = 30)** **Answer any two questions**	**CO**	**KL**
16	The following particulars are extracted from the records of a company: Product A / Product B Sales per unit Rs. 100 / Rs. 120 Consumption of Material 2 kgs / 3 kgs Material cost Rs. 10 / Rs. 15 Direct wages cost Rs. 15 / Rs. 10 Direct expenses Rs. 5 / Rs. 6 Machine hours used 3 / 2 Overhead Expenses: Fixed Rs. 5 / Rs. 10 Variable Rs. 15 / Rs. 20 Direct wages per hour Rs. 5. Comment on the profitability of each product (both use the same new materials) when: (i) Total sales potential in units is limited (ii) Total sales potential in value is limited (iii) Raw material is in short supply (iv) Production capacity (in terms of machine hours) is the limiting factor Assuming raw material as the key factor, availability of which is 10,000 kgs and maximum sales potential of each product being 3,500 units, find out the product mix which will yield the maximum profit.	5	5

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<tr><td>17</td><td>The standard material cost to produce a tonne of Chemical X is:
300 kg of material A @ Rs. 10 per kg
400 kg of material B @ Rs. 5 per kg
500 kg of material C @ Rs. 6 per kg
During the period, 100 tonnes of Chemical X was produced from a mixture of
35 tonnes of material A @ Rs. 9000 per tonne
42 tonnes of material B @ Rs. 6000 per tonne
53 tonnes of material C @ Rs. 7000 per tonne
Calculate Material Variances.</td><td>5</td><td>5</td></tr>
<tr><td>18</td><td>X Ltd. wishes to prepare cash budget from January to June.
<table>
<tr><th>Months</th><th>Total Sales Rs.</th><th>Materials Rs.</th><th>Wages Rs.</th><th>Production Overhead Rs.</th><th>Selling distribution overhead Rs.</th></tr>
<tr><td>January</td><td>20,000</td><td>20,000</td><td>4,000</td><td>3,200</td><td>800</td></tr>
<tr><td>February</td><td>22,000</td><td>14,000</td><td>4,400</td><td>3,300</td><td>900</td></tr>
<tr><td>March</td><td>24,000</td><td>14,000</td><td>4,600</td><td>3,300</td><td>800</td></tr>
<tr><td>April</td><td>26,000</td><td>12,000</td><td>4,600</td><td>3,400</td><td>900</td></tr>
<tr><td>May</td><td>28,000</td><td>12,000</td><td>4,800</td><td>3,500</td><td>900</td></tr>
<tr><td>June</td><td>30,000</td><td>18,000</td><td>4,800</td><td>3,600</td><td>1,000</td></tr>
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Cash balance on 1st January was Rs. 10,000. A new machine is to be installed at Rs. 30,000 on credit to be repaid by two equal instalments in March and April. Sales commission at 5% on total sales is to be paid within the month following actual sales. Rs. 10,000 being the amount by second call may be received in March. Share premium amounting to Rs. 2,000 is also obtained with second call. Income from investments Rs. 5,000 to be received in January and May.
Period of credit allowed by suppliers – 2 months
Period of credit allowed to customers – 2 months
Delay in payment of overheads – ½ month
Assume cash sales to be 50% of the total sales.</td><td>5</td><td>5</td></tr>
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