**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**
**(For candidates admitted during the academic year 2023-24 and thereafter)**

**M.Com. DEGREE EXAMINATION NOVEMBER 2024**
**COMMERCE**
**FIRST SEMESTER**

**COURSE : CORE**
**PAPER : ACCOUNTING FOR DECISION MAKING**
**SUBJECT CODE : 23CM/PC/AD14**
**TIME : 3 HOURS** **MAX. MARKS: 100**

| Q.NO | SECTION A (4x5=20)<br>Answer all the Questions | CO | KL |
|---|---|---|---|
| 1 | What is Zero base budgeting? Discuss its features. | 1 | K1 |
| 2 | State the importance of Accounting standards. | 1 | K1 |
| 3 | Examine Life cycle costing and identify its features. | 2 | K2 |
| 4 | Explain Activity based costing. | 2 | K2 |
| | **SECTION B (4x10=40)**<br>**Answer the following** | | |
| 5 | a) The expenses budgeted for production of Rs.10,000 units in a factory are furnished below:<br>Particulars — Per unit<br>Materials — 70<br>Labour — 25<br>Variable factory overheads — 20<br>Fixed factory overheads (Rs.1,00,000) — 10<br>Variable expenses (Direct) — 5<br>Selling expenses (10% fixed) — 13<br>Distribution expenses (20% fixed) — 7<br>Administrative expenses (Fixed – Rs.50,000) — 5<br>---------<br>Total cost of sales per unit — 155<br>You are required to prepare a flexible budget for the production of 6000 units and 8000 units.<br>**OR**<br>b) The following particulars are extracted from the records of a company.<br>Particulars — Per unit: Product A — Product B<br>Sales price (Rs.) — 100 — 110<br>Consumption of materials (kg.) — 5 — 4<br>Material cost (Rs.) — 24 — 14<br>Direct wages (Rs.) — 2 — 3<br>Machine hours used — 2 — 3<br>Variable overheads — 4 — 6 | 3 | K3 |

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|---|---|---|---|
| | Comment on the profitability of each product (both use the same raw material) when:<br>a. Total sales potential in units is limited<br>b. Total sales potential in value is limited<br>c. Raw material is in short supply<br>d. Raw material is in short supply<br>e. Production capacity (in terms of machine hour) is the limiting factor. | | |
| 6 | a) Kalaiselvan & Co. uses two materials X and Y to produce a product. For the year 2000, they have planned to sell 2000 units of the product. Production department informs that after providing for normal loss etc, 5 kgs per unit of material X and 2 Kgs per unit of material Y are needed for the product.<br>The stores incharge after a study of his records and orders placed to the vendors provides the following details: | 3 | K3 |

| Particulars | Finished product (units) | Material X Kgs | Material Y Kgs |
|---|---|---|---|
| Estimated stock on 1.1.2019 | 400 | 1,800 | 700 |
| Materials on order 1.1.2019 | - | 2,000 | 500 |
| Desired stock on 31.12.2019 | 600 | 2,200 | 800 |
| Estimated materials on order on 31.12.2019 | - | 1,800 | 600 |
| Estimated average purchase Price during 2000 | - | Rs.8 per Kg | Rs.15 per Kg. |

You are required to prepare a purchase budget for the materials, clearly showing the total cost of estimated purchases.

**OR**

b) X Ltd. made a profit of Rs.1,85,000 after considering the following:

| | (Rs.) |
|---|---|
| a. Depreciation on fixed asset | 5,000 |
| b. Profit on sale of buildings | 10,000 |
| c. Loss on sale of machinery | 4,000 |
| d. Provision for taxation | 30,000 |
| e. Provision for doubtful debts | 500 |
| f. Transfer to General reserve | 12,000 |
| g. Amortisation of fictitious assets | 2,000 |

The following additional information is also given:

| Particulars | 31.12.2018 (Rs.) | 31.12.2019(Rs.) |
|---|---|---|
| Debtors | 18,000 | 17,000 |
| Creditors | 12,000 | 9,000 |
| Bills receivable | 7,000 | 4,000 |
| Bills payable | 3,000 | 3,500 |
| Outstanding expenses | 4,000 | 2,000 |
| Prepaid expenses | 2,000 | 2,500 |

You are required to ascertain the cash flow from operations

| | | | |
|---|---|---|---|
| 7 | a) Assuming that the cost structure and selling prices remain the same in periods I and II, Calculate:<br>a) Profit volume ratio<br>b) Fixed cost<br>c) Break even point for sales<br>d) Profit when sales are of Rs.1,00,000<br>e) Sales required to earn a profit of Rs.20,000<br>Period — Sales — Profit<br>I — 1,20,000 — 9,000<br>II — 1,40,000 — 13,000<br>**OR**<br>b) From the following information prepare a cost sheet for the month of December 2019:<br>Rs.<br>Stock on hand -1st December 2019 : Raw materials — 25,000<br>Finished goods — 17,300<br>Stock on hand – 31st December 2019: Raw materials — 26,200<br>Finished goods — 15,700<br>Purchase of raw materials — 21,900<br>Carriage on purchases — 1,100<br>Work in progress 1.12.2019 at works cost — 8,200<br>Work in progress 31.12.2019 at works cost — 9,100<br>Sale of finished goods — 72,300<br>Direct wages — 17,200<br>Non productive wages — 800<br>Direct expenses — 1,200<br>Factory overheads — 8,300<br>Administrative overheads — 3,200<br>Selling and distribution overheads — 4,200 | 4 | K4 |
| 8 | a) Product A requires 10kgs. of material at the rate of Rs.4 per kg. The actual consumption of material for the manufacturing of Product A came to 12 kgs of material at the rate of Rs. 4.50 per kg.<br>Calculate:<br>a. Material cost variance<br>b. Material usage variance<br>c. Material price variance<br>**OR**<br>b) Given: Current ratio -2.8 Acid test ratio -1.5 Working capital – Rs.1,62,000<br>Calculate:<br>a. Current assets<br>b. Current Liabilities<br>c. Liquid assets<br>d. Stock | 4 | K4 |

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|---|---|---|---|
| | **SECTION C** **(2x20=40)**<br>**Answer any two questions** | | |
| 9 | A company expects to have Rs.37,500 cash in hand on 1st April, and requires you to prepare an estimate of cash position during the three months, April, May and June. The following information is supplied to you. | 5 | K5 |

| Month | Sales | Purchases | Wages | Factory expenses | Office expenses | Selling expenses |
|---|---|---|---|---|---|---|
| February | 75,000 | 45,000 | 9,000 | 7,500 | 6,000 | 4,500 |
| March | 84,000 | 48,000 | 9,750 | 8,250 | 6,000 | 4,000 |
| April | 90,000 | 52,500 | 10,500 | 9,000 | 6,000 | 5,250 |
| May | 1,20,000 | 60,000 | 13,500 | 11,250 | 6,000 | 6,570 |
| June | 1,35,000 | 60,000 | 14,250 | 14,000 | 7,000 | 7,000 |

Other information:

a. Period of credit allowed by suppliers 2 months
b. 20% of sales is for cash and period of credit allowed to customers for credit is one month
c. Delay in payment of all expenses is 1 month
d. Income tax of Rs.37,500 is due to be paid on 15th June.
e. 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
f. Plant has to be ordered to be received and paid in May. It will cost Rs.1,20,000.

| | | | |
|---|---|---|---|
| 10 | From the following balance sheet of X Ltd. Prepare cash flow statement | 5 | K5 |

| Liabilities | 2018 | 2019 | Assets | 2018 | 2019 |
|---|---|---|---|---|---|
| Equity share capital | 3,00,000 | 4,00,000 | Goodwill | 1,15,000 | 90,000 |
| 8% redeemable preference share capital | 1,50,000 | 1,00,000 | Land & Buildings | 2,00,000 | 1,70,000 |
| General reserve | 40,000 | 70,000 | Plant | 80,000 | 2,00,000 |
| Profit & Loss A/c | 30,000 | 48,000 | Stock | 77,000 | 1,09,000 |
| Proposed Dividend | 42,000 | 50,000 | Debtors | 1,60,000 | 2,00,000 |
| Creditors | 55,000 | 83,000 | Bills receivable | 20,000 | 30,000 |
| Bills payable | 20,000 | 16,000 | Cash in hand | 15,000 | 10,000 |
| Provision for taxation | 40,000 | 50,000 | Cash at bank | 10,000 | 8,000 |
| TOTAL | 6,77,000 | 8,17,000 | TOTAL | 6,77,000 | 8,17,000 |

Additional Information:

a. Depreciation of Rs.10,000 and Rs.20,000 have been charged on Plant and Land and buildings respectively in 2019.
b. An interim dividend of Rs.20,000 has been paid in 2019.
c. Rs.35,000 income tax was paid during the year 2019.

| | | | |
|---|---|---|---|
| 11 | A Ltd. was registered with an authorised capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its trial balance on 31st March 2018. | 5 | K5 |

| Particulars | Debit balance | Credit balance |
|---|---|---|
| Goodwill | 25,000 | |
| 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 A/c (Cr.) | - | 26,250 |
| Calls in arrears | 7,500 | - |
| Premises | 3,00,000 | |
| Plant & Machinery | 3,30,000 | |
| Interim dividend | 39,250 | |
| Sales | - | 4,15,000 |
| Stock 1.4.2017 | 75,000 | - |
| Furniture & Fixtures | 7,200 | - |
| Sundry debtors | 87,000 | - |
| Wages | 84,865 | - |
| General expenses | 6,835 | - |
| Freight and Carriage | 13,115 | - |
| Salaries | 14,500 | - |
| Director's fees | 5,725 | - |
| Bad debts | 2,110 | - |
| Debenture interest paid | 18,000 | - |
| Bills payable | - | 37,000 |
| Sundry creditors | | 40,000 |
| General reserve | | 25,000 |
| Provision for bad debts | | 3,500 |
| **TOTAL** | **12,46,750** | **12,46,750** |

Prepare statement of Profit & Loss and Balance sheet after making the following adjustments:

a. Depreciate plant & machinery by 15%
b. Write off preliminary expenses
c. Provide for 6 months interest on debentures
d. Provide for bad and doubtful debts at 5% on debtors
e. Provide for income tax at 50%
f. Stock on 31.3.2018 was Rs.95,000

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