STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

(For candidates admitted during the academic year 2009-2010)

SUBJECT CODE : CM/PC/AM24

M.Com. DEGREE EXAMINATION APRIL 2010
COMMERCE
SECOND SEMESTER

COURSE : MAJOR CORE
PAPER : ACCOUNTING FOR MANAGERIAL DECISIONS
TIME : 3 HOURS MAX. MARKS : 100

SECTION – A

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

1. What do you mean by Activity Based Costing? Give its benefits.
2. Describe briefly the various costs used in decision making and explain their characteristics.
3. What is reporting? What are the essential requisites of reports to make them useful to management.
4. What is budgetary Control? What are the main objectives of budgetary control?
5. X company fixed the transfer price for its products on the basis of cost plus a return on investment in the division. The budget for division A for 2008-09 appears as under: Rs.

Fixed Assets	5,00,000
Current Assets	3,00,000
Debtors	2,00,000
Annual fixed cost for the division	8,00,000
Variable cost per unit of the product	10
Budgeted volume	4,00,000 units per year
Desired ROI	28%

Determine the transfer price for Division A.

6. Mr. A has Rs.2,00,000 & would like to invest in his business firm. He wants a 15% return on his money. From an analysis of recent cost figures, he finds that his variable cost of operating is 60% of sales, his fixed cost are Rs.80,000 per year. Calculate the following:

(i) What sales volume must be obtained to Break-even?

(ii) What sales volume must be obtained to get 15% return on investment?

(iii) Mr.A estimates that even if he closed the doors of his business he would incur Rs.25,000 as expenses per year. At what sales would he be better off by locking his business up.

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7. Using the following information, calculate labour variances:

   Gross Direct wages Rs.3,000

   Standard hours produced 1600

   Standard rate per hour Rs. 1.50

   Acutal hours paid 1,500 hours, out of which hours not worked (abnormal idle time) are 50.

8. From the following Balance Sheets of Swadeshi Polytex Ltd. For the year ended 31st December 2007 and 2008. You are required to prepare a common size Balance Sheet for the years 31st December 2007 and 2008.

Balance Sheet as on 31st December

(Rs. In Lakhs)

Liabilities	2007	2008	Assets	2007	2008
Bills Payable	50	75	Cash	100	140
Sundry Creditors	150	200	Debtors	200	300
Tax Payable	100	150	Stock	200	300
6% Debenture	100	150	Land	100	100
6% Preference Share Capital	300	300	Building	300	270
Equity Share Capital	400	400	Plant	300	270
Reserves & Surplus	200	245	Furniture	100	140
	1300	1520		1300	1520

SECTION – B

ANSWER ANY THREE QUESTIONS: (3 x 20 = 60)

9. Describe the different methods of Transfer pricing.

10. The Profit for the year of Push on Ltd. work out to 12.5% on the Capital employed and the relevant figures are as under:

	Rs.
Sales	5,00,000
Direct Materials	2,50,000
Direct Labour	1,00,000
Variable overheads	40,000
Capital Employed	4,00,000

The new sales manager who has joined the company recently estimates for next year a profit of about 23% on capital employed, provided the volume of sales is increased by 10% and simultaneously there is an increase in selling price of 4% and an overall cost reduction in all the elements of cost of 2%.

Find out by computing in detail the cost and profit for next year, whether the proposal of sales manager can be adopted.

11. The standard cost of a chemical mixture is as under:
    8 tons of material A @ Rs.40 per ton.
    12 tons of material B @ Rs.60 per ton
    Standard yield is 90% of input.
    Actual cost for a period is as under:
    10 tons of material A @ Rs.30 per ton.
    20 tons of material B @ Rs.68 per ton.
    Actual yield is 26.5 tons.
    Compute all material variances.

12. With the following ratios and further information given below, prepare a Trading Account, Profit & Loss account and a Balance Sheet of Shri Narain:

(i)	Gross Profit Ratio	25%	(ii)	Net Profit / sales	20%
(ii)	Stock turnover Ratio	10	(iv)	Net Profit / Capital	1/5
(v)	Capital to total liabilities	½	(vi)	Fixed Assets / Capital	5/4
(vii)	Fixed Assets/Total Current Assets	5/7	(viii)	Fixed Assets	Rs.10,00,000
(ix)	Closing Stock	Rs.1,00,000			

13. XYZ Company Ltd. has given the following particulars. You are required to prepare a cash budget for the three months ending 31st December 2009.

(Rs. In lakhs)

Month	**Sales**	**Materials**	**Wages**	**Overheads**
	Rs.	Rs.	Rs.	Rs.
August	40,000	20,400	7,600	3,800
September	42,000	20,000	7,600	4,200
October	46,000	19,600	8,000	4,600
November	50,000	20,000	8,400	4,800
December	60,000	21,600	9,000	5,000

(i) Credit terms are: Sales/debtors – 10% Sales are on cash basis 50% of the credit sales are collected next month and balance in the following month.
Creditors - Materials 2 months
Wages 1/5 month
Overheads 1/2 month

(ii) Cash balance on 1st October 2009 is expected to be Rs.8000 lakhs

(iii) A machinery will be installed in August 2009 at a cost of Rs.15000 lakhs. The monthly instalments of Rs.5000 lakhs is payable from October 2009 onwards.

(iv) Dividend on preference share capital of Rs.30000 lakhs will be paid on 1st December2009.

(v) Advance to be received for sale of Vehicle Rs.20,000 lakhs in December.

(vi) Income-tax advance to be paid in December Rs.5000 lakhs.

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